

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**

Prepared by:

Town of Chapel Hill
Business Management Department

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October 28, 2011

To the Honorable Mayor, Town Council and
Citizens of the Town of Chapel Hill
Town of Chapel Hill, North Carolina

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chapel Hill for the fiscal year ended June 30, 2011 (FY 2010-11) is hereby submitted. North Carolina general statutes require each unit of local government to publish within four months after the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. This report reflects the sound fiscal policies our elected officials have established to achieve their annual priorities for programs, services and capital improvements. The town's strong financial position is demonstrated by the highest credit rating attainable in the national bond markets.

Management of the Town of Chapel Hill, North Carolina, is responsible for the integrity and objectivity of financial statements and other representations contained in this annual report. The town's annual financial report, prepared in accordance with generally accepted accounting principles ("GAAP") for units of local government, consists of management's representations concerning the financial position and results of operations for the fiscal year ended June 30, 2011.

The town engaged Martin Starnes and Associates, independent auditors, to perform an audit of the town's reported financial position and results of operations contained in the government-wide and fund financial statements and notes to the financial statements.

Their audit consists of an objective outside review in order to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements. Working with the town's professional financial staff, they reviewed and made appropriate tests of data included in the financial statements, and evaluated the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the Town of Chapel Hill for the fiscal year ended June 30, 2011 are presented in conformity with generally accepted accounting principles. The report of the independent auditors is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Chapel Hill was part of a broader, federally mandated “Single Audit” designed to meet the special needs of financial grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the town’s internal controls and compliance with legal requirements, with emphasis on administration of federal grants.

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

The town’s system of internal accounting controls is designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with state statutes, authorization of the Town Council and GAAP, and that financial records are a reliable basis for preparation of both interim and annual financial statements. To provide a reasonable basis for making these representations, management of the Town of Chapel Hill has established a comprehensive internal control framework that is designed both to protect the Town’s assets from loss, theft, or misuses and to compile sufficient reliable information for the preparation of the Town of Chapel Hill’s financial statements in conformity with GAAP. The system requires selection and training of qualified personnel, an organization structure that provides appropriate delegation of authority and separation of responsibilities, financial policies and procedures and their dissemination throughout the town organization. Because the cost of internal controls should not outweigh their benefits, the Town of Chapel Hill’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. To the best of our knowledge, this financial report is complete and reliable in all material respects.

This report includes all activities considered to be controlled by or dependent on the Town of Chapel Hill as well as its component unit. Those activities consist of the full range of municipal services contemplated by statute or the Town Charter. These services include public safety (fire and police), streets, sanitation, recreation, planning and zoning, inspections, general administration, parking and transportation. The town’s financial statements also present the financial position and results of operations of OWASA, its only component unit. OWASA is a separate, legal entity for which the town is financially accountable because the Town Council appoints a majority of the OWASA Board of Directors. Additional information on the component unit may be found in the notes to the financial statements.

The annual budget serves as the foundation for the Town of Chapel Hill’s financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager in February of each year. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager presents the proposed budget to the Council in April or early May. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by June 30. Formal budgetary accounting is

employed for all funds as a management control required by North Carolina General Statutes. Budgets are legally enacted by passage of an Annual Budget Ordinance and Project Budget Ordinances which may be formally amended as required. The Town Manager is authorized to transfer budget authorizations within departments and between departments within major functional areas, but changes of functions and total budgets of any fund require approval by the Town Council.

Budgetary control is maintained at the functional level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are a component of restricted fund balances at June 30, 2011.

The signature and authorization of the Town's Business Management Director are required on all expenditure documents before checks are processed. Payroll checks are authorized by department heads and controlled by the budgeted position list maintained in the computerized payroll system.

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Profile of the Town of Chapel Hill

The Town is located principally in Orange County and slightly in Durham County in the north central portion of North Carolina on the Piedmont Plateau, approximately equidistant between Washington, D.C. and Atlanta, Georgia. The area's topography is characterized by rolling hills. The Town, which was chartered in 1819, presently covers an area of 21.3 square miles, serves an official population of 55,616 and is the home of the University of North Carolina at Chapel Hill.

The Town is empowered by statute to levy an annual ad valorem tax on the appraised value of all taxable real and tangible personal property within its boundaries. Orange and Durham Counties are the other units levying such taxes within the corporate limits of the Town. The Town is also empowered by statute to extend its corporate limits by annexation.

The Town operates under a council-manager form of government. Policy-making and legislative authority are vested in the governing Town Council consisting of a mayor and eight other members. The Town Council appoints the members of various boards and commissions, the Town Manager, and Town Attorney. The Mayor presides over Council meetings and has full voting privileges.

The Mayor and all Council members are elected at large. Council members serve four-year terms. The Mayor and four Council members are elected every two years. All municipal elections are non-partisan. The Town Manager is the chief administrative officer of the Town. He is the professional administrator who serves at the pleasure of the Town Council for an indefinite term.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Chapel Hill operates.

Local economy. The Town of Chapel Hill is a part of the Triangle region of North Carolina, which includes the Research Triangle Park, a major complex of research and research-oriented manufacturing facilities. Despite the recent economic down-turn, the Town, Orange County and the Research Triangle Park area continue to experience growth and are considered to be among the most desirable areas of the country to live and work, according to several national surveys. In 2009, the U.S. Conference of Mayors named Chapel Hill the “most liveable city.”

The economy of the Town is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented businesses. The University of North Carolina at Chapel Hill and the University of North Carolina Health Care System are the largest employers in the Town, providing about 19,000 jobs. These institutions contribute significantly to the low unemployment rate in the Town and Orange County when compared to the rest of the state. The Town's unemployment rate has been below State and national rates over the last five years. The Town's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base.

Long-term financial planning. The Town has begun several new capital projects which will affect Town borrowings and future debt payments.

On April 14, 2003 the Town Council unanimously adopted the Library Building Program as a part of the Library Master Plan. The revised Plan calls for the expansion of the present library building from 27,000 square feet to 68,000 square feet, the addition of user seating to accommodate 282 users instead of the current 120, and an increase in books and other materials. In addition to the Library Building Program, the Council recommended that the citizens of Chapel Hill consider bond financing for several other proposals.

In November 2003, voters of the Town of Chapel Hill approved a bond referendum for the following projects:

Project	Amount	Purpose
Library Building Improvements	\$ 16,260,000	Expansion of the Town library
Sidewalk and Streets	5,600,000	Construct 50% of sidewalk priorities Upgrade pedestrian amenities Make improvements for bicycle and pedestrian safety Make downtown streetscape improvements
Parks and Recreation Facilities	5,000,000	Construct 50% of greenway plans
Open Spaces and Areas	2,000,000	Purchase open space
Public Buildings	500,000	Establish an energy bank
Total	<u>\$ 29,360,000</u>	

The Council planned to sell the bonds in four installments. The first installment of \$4 million of these bonds was sold in fall of 2004. The second installment of \$4.95 million was sold in the fall of 2006. The two remaining planned installment sales were delayed with the economic downturn, but were combined into a single \$20.41 million issuance in October 2010. This plan allowed the Town to stay within 12% of debt service as a percent of General Fund Expenditures. The bonds were sold in a combination of general obligation bonds and Build America Bonds, which are eligible for an interest subsidy from the federal government through the American Recovery and Reinvestment Act.

The \$20.41 million in bonds were sold for the Library renovation and other purposes as follows:

Library Building Improvements	\$ 14,260,000
Sidewalk and Streets	1,400,000
Upgrade pedestrian amenities	200,000
Bicycle and pedestrian safety	350,000
Downtown streetscape improvements	500,000
Parks and Recreation Facilities	<u>3,700,000</u>
Bond sale October 2010	<u>\$ 20,410,000</u>

The Town of Chapel Hill is also committed to up to \$7.2 million in future debt for a \$75 million public/private development project to construct a three-section building complex combining condominiums, retail and underground parking. The complex will be constructed on town-owned Parking Lot 5, facing both Franklin and Rosemary Streets. The project, in addition to retail space, will include 137 condominiums with 21 affordable housing units which will be placed in the Land Trust, nearly 30,000 square feet of office/retail space, and 345 parking spaces. The project will also include about 27,000 square feet of open public space and public art. The town will retain ownership of the site with a land lease and will own 161 parking spaces with 169 spaces for condominium owners. The downtown development project will stimulate the town center, reduce dependency on the automobile and increase the tax-base.

When completed, the project is expected to generate new property and sales taxes and parking revenue. The construction phase of this project began in FY2011 with a groundbreaking in January. The Town's funding commitment for this project is effective upon completion, which is estimated to be approximately 18-24 months after the start of construction.

The potential effect of this project on future property tax rates will be affected by the prevailing interest rate at the time of issuance and the availability of other sources or cost savings to fund the projects.

In addition to the Town's plans, The University of North Carolina is planning a new satellite campus on approximately 1,000 acres called Carolina North. The new development (on land formerly used by the Horace Williams Airport) will combine a research park with academic buildings, businesses, residential areas, green space and public schools. On June 22, 2009, the Chapel Hill Town Council approved a development agreement with the University for the Carolina North Project. The actual campus of Carolina North will cover approximately 250 acres of the Horace Williams Tract and will be built in phases over the next 50 years. The Town and the University have engaged in extensive, long-range planning for the expansion, including a fiscal impact analysis. Carolina North will best serve the university and the state if it also strengthens the local community, enhances its quality of life, respects its character and values, and embraces its spirit of collaboration. Businesses incubated at Carolina North ideally would be retained within the community once they leave Carolina North, and such efforts should be supported through communication, cooperative planning and assistance to the maximum extent possible.

Financial Policies. The Town's management has relied upon sound financial policies and procedures to manage the operations of the Town to weather the economic downturn while maintaining core service levels and providing for Council priorities.

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The delay in issuance of the final \$20.4 million of bonds authorized in 2003 allowed the Town to keep debt service costs below 12% in keeping with established guidelines.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2010-11 budget, with the allocation of fund balance for a one-time payment to employees in lieu of a raise and for capital maintenance projects.

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 Chapel Hill for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents

conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

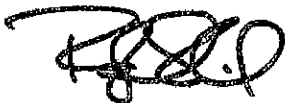
In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2010-11. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required categories, as a policy document, a financial plan, an operations guide, and a communications device.

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire finance staff of the Business Management Department and the various employees from other departments. We would like to express our appreciation to all members of the Department, other employees, and to the independent certified public accountants, Martin Starnes and Associates, who assisted and contributed to its preparation.

We would also like to thank the Mayor and members of the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Roger L. Stancil
Town Manager



Kenneth C. Pennoyer
Business Management Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Chapel Hill
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

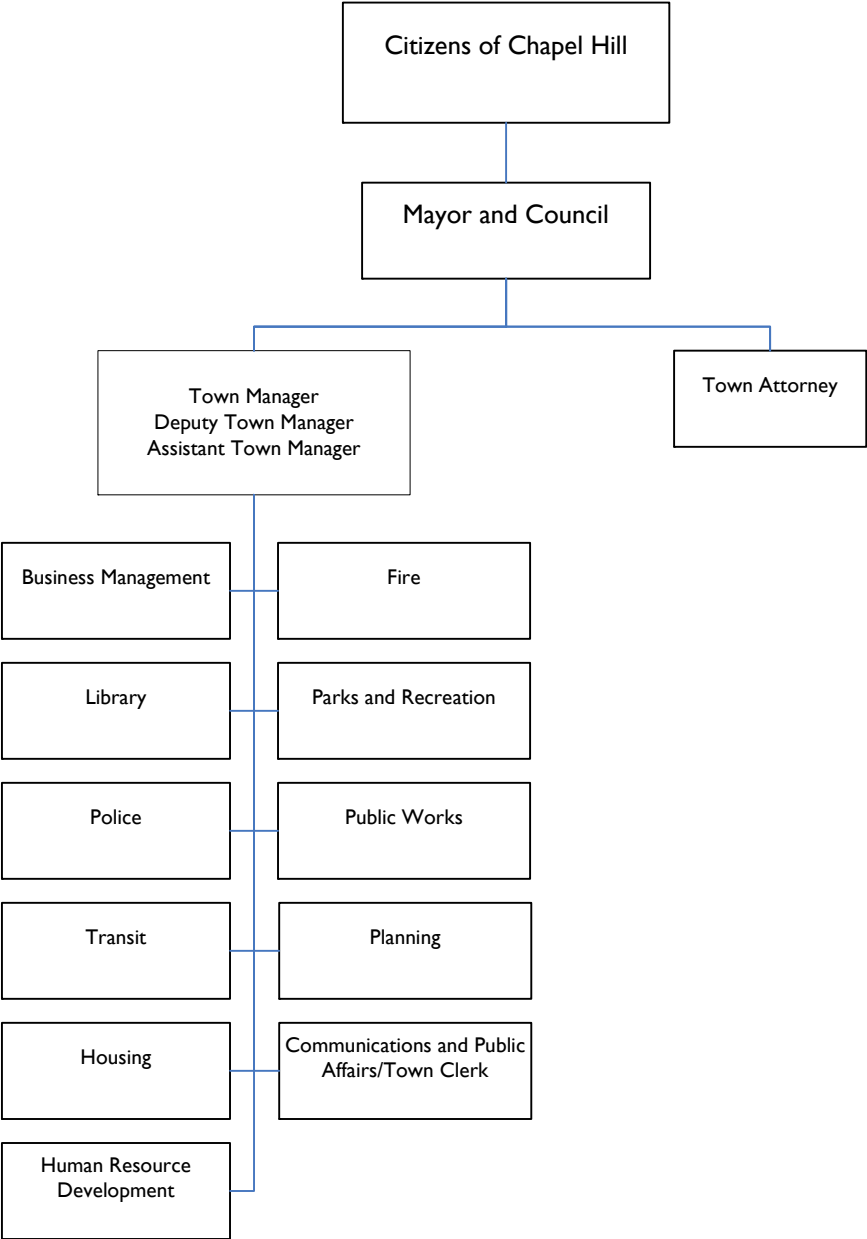
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

TOWN OF CHAPEL HILL ORGANIZATIONAL CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2011
MEMBERS OF THE GOVERNING BODY**

Mayor

Mark Kleinschmidt

Mayor pro tem

Jim Ward

Council Members

Donna Bell

Matt Czajkowski

Laurin Easthom

Sally Greene

Ed Harrison

Gene Pease

Penny Rich

Officials

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Bruce A. Heflin II

Assistant Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on these basic 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. The financial statements of the Orange Water and Sewer Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2011, on our consideration of the Town of Chapel Hill'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 that 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of the Town of Chapel Hill, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 28, 2011

Management's Discussion and Analysis

Our discussion is intended as an overview of the financial performance of the Town of Chapel Hill for the fiscal year ended June 30, 2011. The financial statements and notes included in this report present the financial position and operations of governmental and business activities of the town. During the fiscal year, the Town continued its sound current and long-range policies for financial management. These policies are intended to:

- expand and diversify sources of revenue other than property taxes;
- maintain relatively low-property tax rates;
- facilitate capital improvements by maintaining adequate resources and reasonable financing capacity;
- enhance management techniques to improve productivity and efficiency;
- provide professional public services that are similar in operation to private enterprises; and
- continue Town-funded affordable housing initiatives to supplement federal housing programs.

Town policies encourage the use of local revenue to provide basic services instead of depending upon uncertain federal and state sources. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal and description of the Town as a social and economic unit and financial statements and notes thereto.

Financial Highlights

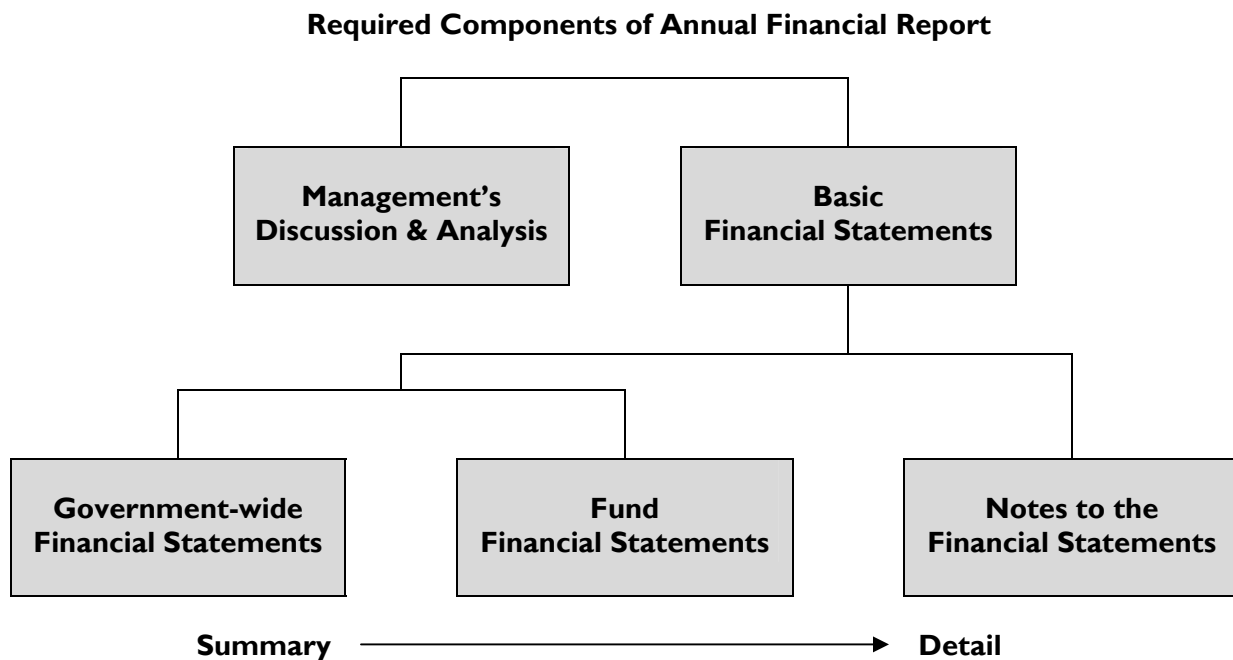
Highlights of the Town's fiscal year ended June 30, 2011, include:

- The financial highlight of the fiscal year was the continuing weak economic recovery from the 2008 recession and the measures that were undertaken to deal with it. In fiscal year 2011, the management of the Town continued with many aspects of the Budget Savings Plan adopted in the fall of 2008 to manage potential reductions in revenues and to provide fund balance to ease the pressure on the next year's budget. The budget savings plan included a soft hiring freeze and required budgetary savings from Town departments.
- The strategies for dealing with the possibility of reduced revenues proved successful. With conservative budgeting of revenues and controls on spending, the Town was able to continue most services without the use of reserves. Assets increased by \$16.5 million, Liabilities increased by \$18.3 million for a net use of net assets of about \$1.8 million.
- Another financial highlight of FY11 is the Town's sale of \$20.41 million in bonds for renovation of the Library and other capital projects. At the time of the sale, the Town's credit rating was confirmed at the highest level by both Moody's and Standard and Poor's.
- At June 30, 2011, total net assets of \$162.4 million included \$136.7 million that represents capital assets and restricted net assets which in large part have been reserved for specific purposes or are needed for working capital to meet the Town's ongoing services to citizens and obligations to creditors.
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$52.9 million, an increase of \$20.9 million in comparison with the prior year, largely reflecting the bond sale.

Management's Discussion and Analysis

- Unassigned fund balance of the General Fund (totaling approximately \$13.2 million) continues to meet working capital requirements and a policy of reserving at least 12% of the succeeding fiscal year budget. Legal provisions and financial policies of the Town restrict fund balance in other funds for the purposes of those funds.
- The Town's total long-term liabilities increased by \$18 million to \$67.7 million as a net of the new debt issuance and the payoff of existing debt. The Town sold \$20.41 million in a combination of conventional general obligation bonds and Build America Bonds (BABs) as the final portion of the debt authorized by a 2003 referendum.
- Property taxes supported 41% of the governmental services to citizens and the community in fiscal year 2011.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements



Basic Financial Statements

This discussion and analysis serves as an introduction to Chapel Hill's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. 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 Chapel Hill, including a

Management's Discussion and Analysis

statistical section. This report includes all funds of the Town as well as a component unit, which is described below. Note A in the financial report includes a further discussion of the reporting entity and descriptions of funds.

The final section of the financial statements is the federally mandated "Single Audit", which is prepared to comply with the Single Audit Act of 1996 and the State Single Audit Implementation Act. Reports on internal control and compliance, along with a schedule of financial assistance, are presented to reflect federal, state and local participation in various projects and programs as adopted by the Town Council.

Government-wide Financial Statements

The first two statements (Exhibits 1 and 2) are government-wide financial statements that are designed to provide a broad overview of the Town's financial position and operations, in a manner similar to a private-sector business. These statements include one component unit, the Orange Water and Sewer Authority (OWASA). This entity, although legally separate from the Town, is included in the financial statements because the Town Council has appointment authority over OWASA's governing board.

The statement of net assets presents the Town's and OWASA's assets and liabilities, with the difference between the two categories reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Town and its component unit is improving. The statement of activities presents information on how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement, which may result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities of the Town and activities of the component unit. Governmental activities include most of the Town's basic services such as environmental and development, public safety, leisure activities, and general administration. Property taxes and state and federal grants finance most of these activities. Business-type activities include transit, parking, housing and stormwater services.

Fund Financial Statements

The fund financial statements (Exhibits 3 through 10) provide more detail about the Town's most significant activities. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as the General Statutes, grantor provisions and the Town's budget ordinance. Fund Financial Statements are divided into governmental and proprietary funds statements.

Governmental Funds are used to account for basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds use an accounting method called modified accrual accounting. This method provides a short-term spending focus. 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.

Management's Discussion and Analysis

Proprietary Funds may report two types of activities: enterprise and internal service activities. *Enterprise Funds* are used to report business-type activities that are presented in the government-wide financial statements. Chapel Hill uses enterprise funds to account for transit services, parking, public housing and stormwater management. *Internal Service Funds* are used to account for accumulation and allocation of costs internally among other funds of the Town. The Town uses internal service funds to account for the central garage, the purchase of vehicles, and the purchases of computer equipment and software. Because these operations predominantly benefit governmental rather than business-type activities, the internal service funds have been included within the governmental activities in the government-wide financial statements.

Notes to the Financial Statements 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 are on pages 37 through 74 of this report.

Supplemental Information includes certain required information concerning the Town's progress in funding its obligation to provide separation allowance for law enforcement officers and other postemployment benefits. Required supplementary information can be found beginning on page 75 of this report.

Combining Schedules facilitate comparison and present information at the individual fund level that demonstrates how they are combined to accumulate totals used in the fund financial statements.

Budgetary Statements are required by the General Statutes and can be found in this part of the financial report. The Town adopts an annual budget for its General Fund and other governmental funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and the Town Council about which services to provide and how to pay for them. The budget also authorizes the Town to obtain funds from identified sources to finance current period activities. The budgetary statements demonstrate compliance with the budget ordinance and performance of services planned at budget adoption.

Government-Wide Financial Analysis

Figure 2 below is a summary of net assets for the Town of Chapel Hill at June 30, 2011 (as shown in Exhibit 1) with comparative data from June 30, 2010.

Management's Discussion and Analysis

Town of Chapel Hill's Net Assets						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 62,299,592	\$ 41,319,752	\$ 17,008,963	\$ 17,003,536	\$ 79,308,555	\$ 58,323,288
Capital assets	112,016,672	112,635,231	52,845,110	56,652,462	164,861,782	169,287,693
Total assets	<u>174,316,264</u>	<u>153,954,983</u>	<u>69,854,073</u>	<u>73,655,998</u>	<u>244,170,337</u>	<u>227,610,981</u>
Current liabilities	11,767,107	10,737,630	2,286,340	2,942,726	14,053,447	13,680,356
Non-current liabilities	61,156,211	43,585,881	6,574,882	6,178,533	67,731,093	49,764,414
Total liabilities	<u>72,923,318</u>	<u>54,323,511</u>	<u>8,861,222</u>	<u>9,121,259</u>	<u>81,784,540</u>	<u>63,444,770</u>
Net assets:						
Invested in capital assets, net of related debt	77,405,641	65,504,936	48,230,110	51,757,462	125,635,751	117,262,398
Restricted for:						
Stabilization by State Statute	9,964,543	6,510,708	-	-	9,964,543	6,510,708
Capital projects	96,217	984,660	-	-	96,217	984,660
Public housing	755,136	104,905	-	-	755,136	104,905
Other functions	283,465	412,561	-	-	283,465	412,561
Unrestricted	12,887,944	26,113,702	12,762,741	12,777,277	25,650,685	38,890,979
Total net assets	<u>\$ 101,392,946</u>	<u>\$ 99,631,472</u>	<u>\$ 60,992,851</u>	<u>\$ 64,534,739</u>	<u>\$ 162,385,797</u>	<u>\$ 164,166,211</u>

The assets of the Town of Chapel Hill exceeded liabilities by \$162 million as of June 30, 2011. The Town's net assets decreased by a net of \$1.78 million for the fiscal year, a decrease in business-type net assets and an increase in governmental net assets.

The largest portion (77.4%) of net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A large portion of the Town of Chapel Hill's net assets (approximately \$11.1 million) represents resources that are subject to external restrictions on how they may be used. The total unrestricted net assets show a balance of \$25.6 million.

Figure 3 on the following page presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2011, with comparative data for June 30, 2010.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,865,401	\$ 4,875,775	\$ 5,324,686	\$ 5,221,661	\$ 10,190,087	\$ 10,097,436
Operating grants and contributions	4,246,757	4,536,129	14,502,035	15,400,822	18,748,792	19,936,951
Capital grants and contributions	3,255,411	6,797,577	199,996	5,665,439	3,455,407	12,463,016
General revenues:						
Taxes	42,477,404	41,784,629	2,929,657	2,890,870	45,407,061	44,675,499
Grants and contributions not restricted to specific programs	3,906,365	3,708,032	-	-	3,906,365	3,708,032
Investment earnings	71,324	88,220	25,411	36,054	96,735	124,274
Other	2,133,013	1,293,759	155,666	38,779	2,288,679	1,332,538
Total revenues	60,955,675	63,084,121	23,137,451	29,253,625	84,093,126	92,337,746
Expenses:						
General government	8,672,259	7,447,434	-	-	8,672,259	7,447,434
Environment and development	18,613,025	22,960,472	-	-	18,613,025	22,960,472
Public safety	20,363,725	19,932,175	-	-	20,363,725	19,932,175
Leisure activities	9,725,448	9,685,124	-	-	9,725,448	9,685,124
Interest expense	2,046,519	1,991,035	-	-	2,046,519	1,991,035
Transportation	-	-	20,945,401	19,829,286	20,945,401	19,829,286
Parking facilities	-	-	1,785,780	1,776,168	1,785,780	1,776,168
Stormwater management	-	-	1,739,239	1,618,926	1,739,239	1,618,926
Housing operations	-	-	1,982,144	2,057,066	1,982,144	2,057,066
Total expenses	59,420,976	62,016,240	26,452,564	25,281,446	85,873,540	87,297,686
Increase (decrease) in net assets before transfers	1,534,699	1,067,881	(3,315,113)	3,972,179	(1,780,414)	5,040,060
Transfers	226,775	366,331	(226,775)	(366,331)	-	-
Increase (decrease) in net assets Net assets, July 1	1,761,474	1,434,212	(3,541,888)	3,605,848	(1,780,414)	5,040,060
Net assets, July 1	99,631,472	98,197,260	64,534,739	60,928,891	164,166,211	159,126,151
Net assets, June 30	\$ 101,392,946	\$ 99,631,472	\$ 60,992,851	\$ 64,534,739	\$ 162,385,797	\$ 164,166,211

Governmental activities. Governmental activities show an increase in net assets of about \$1.76 million. The increase is principally due to conservative budget practices and the plan to reduce spending and increase savings to provide for the future year's budget.

Business-type activities: Business-type activities decreased Chapel Hill's net assets by \$3.5 million. The decrease in net assets comes primarily from the Transit Fund, which saw a reduction in grants for both operating and capital uses. The Stormwater Management Fund and the Housing Operating Fund had modest increases in net assets as a result of operations, while the Parking Facilities Fund had a small decrease.

Management's Discussion and Analysis

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Chapel Hill's governmental funds is on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Chapel Hill's financing requirements.

At June 30, 2011, the governmental funds of Chapel Hill reported a combined fund balance of \$52.9 million, an increase of \$20.9 million or 65% over last year. This change is largely the result of the issuance of \$20.41 million in debt.

The General Fund is the chief operating fund of Chapel Hill. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13.2 million, with total fund balance of \$20.4 million. The fund balance available for appropriation according to the statutory calculation is 30.83% of expenditures for FY11. As a measure of the General Fund's liquidity, it may be useful to compare both total and unassigned fund balance to total fund expenditures. Unassigned fund balance represents 26.6%, and total fund balance, which includes reserves and designated amounts, represents 41% of total 2010-11 General Fund expenditures and other uses, respectively. The total fund balance decreased by about \$1.1 million. This decrease was significantly less than budgeted, and was achieved by a reduction in departmental expenditures and by year-end revenue exceeding estimates.

The Debt Service Fund funded by a portion of the property tax rate and committed by the Council to making debt payments, had an increase in fund balance of \$1.4 million in FY11. With the delay in issuance of the last of the 2003 authorized bonds, tax collections exceeded debt payments, allowing for the savings and affording capacity for taking on the new debt.

The Capital Projects Ordinance Fund reflects an increase in fund balance of \$19.9 million. In addition to the receipt of debt proceeds on the \$20.41 million of bonds issued, the fund reflects the receipt of federal and state grants and other revenues totaling \$1.6 million. The FY11 expenditures of \$2.4 million are largely for Parks projects undertaken with a combination of bonds and grant 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.

Conservative budgeting principles result in actual revenues exceeding budget estimates. With the economic downturn this year, the actual revenues were about \$720,000 more than budgeted. Sales taxes receipts were budgeted conservatively, yet were \$113,000 under budget. Property tax receipts remained resilient to the economic downturn and exceeded budget by \$321,000 in the year. Development-related income was affected by the economy, with Licenses and Permits \$170,000 under budget, while Occupancy taxes came in \$122,000 over budget. Other revenue sources slightly exceeded budget, including recreation fees and street cuts revenues.

Management's Discussion and Analysis

Expenditures were about \$5 million less than budgeted. The underexpenditure primarily reflects efforts by Town departments to conserve or curtail spending in response to the economic downturn. In addition to the reduction in spending, the delayed hiring of open positions and other cost-cutting measures, departmental budgets benefitted from the more stable fuel prices experienced during the year. The Public Works budget benefitted from another fairly mild winter during 2010-11, reducing requirements for road clearing, debris cleanup and heating of buildings. About \$1.4 million of budget over actual expenditures represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Enterprise Funds at the end of the fiscal year were \$6.5 million for the Transit Fund, \$2.6 million for the Parking Facilities Fund, \$2.4 million for the Housing Operating Fund and \$1.1 million for the Stormwater Management Fund. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

Capital Asset and Debt Administration

Capital assets. Figure 4 below represents the Town of Chapel Hill's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities. As of June 30, 2011, capital assets totaled \$164,861,782 compared with \$169,287,693 in the prior fiscal year, with the overall reduction chiefly due to depreciation. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 26,895,011	\$ 26,925,348	\$ 6,950,161	\$ 6,551,034	\$ 33,845,172	\$ 33,476,382
Easements	77,359	-	-	-	77,359	-
Land improvements	13,253,107	11,630,386	3,162,306	3,315,223	16,415,413	14,945,609
Infrastructure	16,981,929	18,382,396	-	-	16,981,929	18,382,396
Buildings and building improvements	42,429,921	44,763,184	22,786,724	24,443,719	65,216,645	69,206,903
Equipment	988,023	930,561	1,174,072	1,102,516	2,162,095	2,033,077
Vehicles	4,797,234	4,409,096	18,016,923	20,588,253	22,814,157	24,997,349
Construction in progress	6,594,088	5,594,260	754,924	651,717	7,349,012	6,245,977
Total	\$ 112,016,672	\$ 112,635,231	\$ 52,845,110	\$ 56,652,462	\$ 164,861,782	\$ 169,287,693

Management's Discussion and Analysis

Major capital asset transactions during the year include the following additions:

- \$ 1,184,374 for Morgan Creek Trail;
- \$ 894,546 for Public Housing renovations;
- \$ 399,127 for replacement parking on Graham Street;
- \$ 288,117 for multi-space Parking meters;
- \$ 255,557 for the purchase of a Fire pumper truck;
- \$ 217,864 for work on the Lot 5 Downtown Initiative;
- \$ 128,376 for work on Bolin Creek restoration.

No major demolitions were recorded this year.

Additional information on the Town's capital assets can be found on pages 51-55 of the Notes to the Financial Statements.

**Town of Chapel Hill
Outstanding Debt
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 34,110,000	\$ 15,285,000	\$ -	\$ -	\$ 34,110,000	\$ 15,285,000
Bond premium	1,038,392	1,112,563	-	-	1,038,392	1,112,563
Bond discount	(120,180)	(128,764)	-	-	(120,180)	(128,764)
Installment notes payable	7,452,516	7,484,449	-	-	7,452,516	7,484,449
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	269,438	254,773	-	-	269,438	254,773
Compensated absences	2,347,100	2,275,091	637,503	628,461	2,984,603	2,903,552
Other postemployment benefits	4,420,209	3,050,313	2,198,173	1,528,564	6,618,382	4,578,877
Certificates of participation	19,040,000	20,405,000	4,615,000	4,895,000	23,655,000	25,300,000
Total	\$ 68,680,621	\$ 49,861,571	\$ 7,450,676	\$ 7,052,025	\$ 76,131,297	\$ 56,913,596

Long-term Debt. As shown in Figure 5 above, as of June 30, 2011 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$34,110,000. The Town also had \$19,040,000 of debt in certificates of participation to fund construction of the Town Operations Center and \$4,615,000 for the construction of the Wallace Parking Deck. Total debt of about \$76.1 million includes the addition of other postemployment benefits totaling \$6.6 million as required by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 71 of the Notes to the Financial Statements.

Management's Discussion and Analysis

The Town's total debt from governmental activities increased by \$18.8 million or 37.7%, to \$68.68 million during the past fiscal year. The increase represents payments made during the year toward general obligation bonds and other debt netted with the addition of \$20.41 million in general obligation bonds. Business-type debt increased by about \$399,000 to \$7.4 million, chiefly due to the addition to post-employment benefits. During the year, the Town also added installment financing for vehicle replacement of \$1.6 million and there was an increase in the debt recorded for variation in compensated absences due to employees.

As mentioned in the financial highlights section of this document, at June 30, 2011 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation. The Town of Chapel Hill is among a small number of municipalities its size in the country that maintains such a high financial rating. This achievement assists the Town to keep low interest cost on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chapel Hill is \$593 million, well above the town's outstanding debt for general obligation bonds of approximately \$34 million, which is about 5.7% of the Town's legal debt limit.

Additional information regarding the Town of Chapel Hill's long-term debt can be found beginning on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- The Town of Chapel Hill had an unemployment rate of about 5.8% at June 30, 2011, well below the state average of 10%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities:

General Fund revenues budgeted for FY12 total \$50.5 million, including the use of \$1.1 million in fund balance, reflecting a decrease of 3.9% from the budget for 2010-11. Property values were last reassessed by Orange County in 2009, and the Town maintained a revenue-neutral property tax rate for 2012 but altered the split of the property tax between the General Fund and the Debt Fund as shown below.

Management's Discussion and Analysis

Tax Rate	Cents per \$100 valuation		
	FY10-11	FY11-12	\$ Change
General Fund	\$ 36.0	\$ 37.8	\$ 1.8
Debt Fund	9.3	7.5	(1.8)
Transit Fund	4.1	4.1	-
Total Tax Rate	\$ 49.4	\$ 49.4	\$ (0.0)

Tax collection rates in Orange County have been maintained in excess of 99% despite the economic downturn. The increased portion allotted to the General Fund along with modest growth lead to estimates of an increase of 7% or \$1.78 million over 2010-11 for the General Fund. The delay in the issuance of the remaining bonds, allowing for the payoff of existing debt, has enabled the Debt Fund to meet debt service requirements with appropriated fund balance.

Sales taxes are budgeted at just over \$9 million, a .6% decrease from 2010-11's budget as we anticipate a continuing slow but steady recovery. Other significant General Fund revenues are relatively flat.

General Fund expenditures of \$50.5 million represent a 3.9% decrease from 2010-11. The goals of the budget for 2011-12 were to maintain the tax rate while retaining core services, to retain employees and to reduce the use of fund balance to achieve a more sustainable budget as the slow economic recovery is expected to continue. The budget maintains service levels and includes increases in medical insurance coverage of 10.1% and a 8% increase in the employer's contribution to the Local Government Employees Retirement System. In keeping with the principal of using fund balance for one-time costs, the budget includes a one-time payment of \$800 for employees, similar to a bonus.

The reduction in the use of fund balance affected the allocation for capital improvements, which was reduced as a budget saving measure, down from \$1.17 million to \$432,000, to allow for capital maintenance and minimal levels of facility improvements.

Debt service costs in 2011-12 are budgeted at \$6.7 million, while the Build America Bonds entitle the Town to receive an interest subsidy of \$182,500 to recoup some of the expense. The Debt Service tax rate of \$7.5 cents per \$100 in valuation is expected to generate about \$5.3 million. The use of about \$1.2 million in fund balance will provide for debt payments due in FY12.

Other governmental activities budgeted for 2011-12 reflect a continuation of existing service levels in keeping with the budget goals for FY12.

Business – type Activities:

The Town continued the policy of providing fare-free service for most transit services. The 2011-12 budget for the Transit Fund includes adoption of a Bus Advertising program, a reduction in some service routes and the use of \$1.4 million in fund balance to balance the budget that increased by \$272,000 or 1.6% over 2010-11.

Parking Facilities Fund revenues are budgeted to increase approximately 4% overall in 2011-12. The addition of new parking options in downtown, new meters that include a variety of payment options and an increase in parking rates are expected to generate additional revenue in 2011-12.

Management's Discussion and Analysis

Housing Operating revenues reflect an increase in HUD contributions of 2.8%, which allows for a balanced budget with no transfer from the General Fund or use of fund balance. Expenditures reflect increases in personnel and maintenance costs.

Stormwater Management's budget for 2011-12 reflects a 7.2% decrease in expenditures, allowing for a decrease in the use of fund balance, from \$363,000 to \$170,000. The expenditure budget reflects a reduction in capital outlay and the finalization of the Master Plan.

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 Director of Business Management, Town of Chapel Hill, 405 Martin Luther King Jr. Boulevard, Chapel Hill, NC 27514.

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 28,489,455	\$ 13,642,788	\$ 42,132,243	\$ 21,244,477
Taxes receivable, net	366,843	119,566	486,409	-
Accounts receivable, net	217,546	214,115	431,661	4,514,709
Due from other governments	4,976,533	2,078,145	7,054,678	-
Inventories	201,595	682,258	883,853	954,979
Prepaid items	4,702	4,583	9,285	326,987
Restricted cash and cash equivalents	2,049,923	60,675	2,110,598	7,162,678
Total current assets	<u>36,306,597</u>	<u>16,802,130</u>	<u>53,108,727</u>	<u>34,203,830</u>
Non-current assets:				
Restricted cash and cash equivalents	25,992,995	-	25,992,995	98,616
Deferred charges	-	206,833	206,833	881,971
Capital assets (Note F):				
Land and construction in progress	33,566,458	7,705,085	41,271,543	29,185,609
Other capital assets, net of accumulated depreciation	78,450,214	45,140,025	123,590,239	258,108,900
Total capital assets	<u>112,016,672</u>	<u>52,845,110</u>	<u>164,861,782</u>	<u>287,294,509</u>
Total non-current assets	<u>138,009,667</u>	<u>53,051,943</u>	<u>191,061,610</u>	<u>288,275,096</u>
Total assets	<u>174,316,264</u>	<u>69,854,073</u>	<u>244,170,337</u>	<u>322,478,926</u>
LIABILITIES				
Current liabilities:				
Internal balances	44,830	(44,830)	-	-
Accounts payable and accrued liabilities	3,610,186	1,265,653	4,875,839	2,509,022
Customer deposits	92,353	-	92,353	1,184,473
Unearned revenue	273,705	129,603	403,308	-
Liabilities payable from restricted assets	221,623	60,120	281,743	1,708,160
Current portion of long-term liabilities	7,524,410	875,794	8,400,204	5,917,194
Total current liabilities	<u>11,767,107</u>	<u>2,286,340</u>	<u>14,053,447</u>	<u>11,318,849</u>
Non-current liabilities:				
Due in more than one year	61,156,211	6,574,882	67,731,093	93,439,702
Total liabilities	<u>72,923,318</u>	<u>8,861,222</u>	<u>81,784,540</u>	<u>104,758,551</u>
NET ASSETS				
Invested in capital assets, net of debt	77,405,641	48,230,110	125,635,751	190,756,445
Restricted for:				
Stabilization by State Statute	9,964,543	-	9,964,543	-
Capital projects	96,217	-	96,217	-
Public housing	755,136	-	755,136	-
Other functions	283,465	-	283,465	-
Water and sewer	-	-	-	98,616
Unrestricted	12,887,944	12,762,741	25,650,685	26,865,314
Total net assets	<u>\$ 101,392,946</u>	<u>\$ 60,992,851</u>	<u>\$ 162,385,797</u>	<u>\$ 217,720,375</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 8,672,259	\$ 1,774,913	\$ 63,536
Environment and development	18,613,025	2,020,263	2,357,451
Public safety	20,363,725	117,747	1,452,984
Leisure activities	9,725,448	952,478	372,786
Interest expense	2,046,519	-	-
Total governmental activities	<u>59,420,976</u>	<u>4,865,401</u>	<u>4,246,757</u>
Business-type activities:			
Transportation	20,945,401	1,096,432	12,942,449
Parking Facilities	1,785,780	1,879,797	-
Housing Operations	1,982,144	507,305	1,559,586
Stormwater Management	1,739,239	1,841,152	-
Total business-type activities	<u>26,452,564</u>	<u>5,324,686</u>	<u>14,502,035</u>
Total primary government	<u>\$ 85,873,540</u>	<u>\$ 10,190,087</u>	<u>\$ 18,748,792</u>
Component unit - Orange Water and Sewer Authority	<u>\$ 31,840,832</u>	<u>\$ 36,003,830</u>	<u>\$ -</u>

General revenues:

- Property taxes
- Sales tax
- Occupancy tax
- Other taxes

Grants and contributions not restricted to specific programs:

- Intergovernmental
- Investment earnings
- Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues, proceeds and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

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

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
\$ -	\$ (6,833,810)	\$ -	\$ (6,833,810)	\$ -
3,169,734	(11,065,577)	-	(11,065,577)	-
-	(18,792,994)	-	(18,792,994)	-
85,677	(8,314,507)	-	(8,314,507)	-
-	(2,046,519)	-	(2,046,519)	-
<u>3,255,411</u>	<u>(47,053,407)</u>	<u>-</u>	<u>(47,053,407)</u>	<u>-</u>
180,119	-	(6,726,401)	(6,726,401)	-
-	-	94,017	94,017	-
19,877	-	104,624	104,624	-
-	-	101,913	101,913	-
<u>199,996</u>	<u>-</u>	<u>(6,425,847)</u>	<u>(6,425,847)</u>	<u>-</u>
<u>\$ 3,455,407</u>	<u>(47,053,407)</u>	<u>(6,425,847)</u>	<u>(53,479,254)</u>	<u>-</u>
<u>\$ 1,269,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,432,558</u>
	32,612,118	2,929,657	35,541,775	-
	8,941,463	-	8,941,463	-
	872,115	-	872,115	-
	51,708	-	51,708	-
	3,906,365	-	3,906,365	-
	71,324	25,411	96,735	29,261
	<u>2,133,013</u>	<u>155,666</u>	<u>2,288,679</u>	<u>1,785,093</u>
	48,588,106	3,110,734	51,698,840	1,814,354
	<u>226,775</u>	<u>(226,775)</u>	<u>-</u>	<u>-</u>
	<u>48,814,881</u>	<u>2,883,959</u>	<u>51,698,840</u>	<u>1,814,354</u>
	1,761,474	(3,541,888)	(1,780,414)	7,246,912
	<u>99,631,472</u>	<u>64,534,739</u>	<u>164,166,211</u>	<u>210,473,463</u>
	<u>\$ 101,392,946</u>	<u>\$ 60,992,851</u>	<u>\$ 162,385,797</u>	<u>\$ 217,720,375</u>

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MAJOR FUNDS

Major funds are defined as those whose revenues, expenses, assets or liabilities are at least 10% of corresponding totals for all governmental *or* proprietary funds **and** at least 5% of the aggregate amount for all governmental *and* enterprise funds for the same item. Any other fund may be reported as a major fund if the government's officials deem the fund particularly important to financial statement users.

GOVERNMENTAL FUNDS

Governmental funds are funded principally from property and sales taxes on individuals and businesses.

General Fund – The General Fund is always considered a major fund. The General Fund is the principal fund of the Town and is used to account for all activities of the Town not included in other specified funds. The General Fund accounts for the normal recurring activities of the Town (e.g., general government, environment and development, public safety, public works, and leisure activities).

Debt Service Fund - The Debt Service Fund is used to account for the payment of general obligation long-term debt principal, interest and related costs. Such payments are financed by a portion of the property tax levy.

The Capital Projects Ordinance Funds - These funds are used to account for capital asset acquisition and construction of various Town projects including several major capital projects financed by government bonds.

Other Governmental Funds – Information is printed in aggregate for the Town's other governmental funds that are non-major. These funds include the annual Capital Improvements Fund, the Housing Capital Grant fund, and other special revenue funds.

BUSINESS-TYPE FUNDS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town Council is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the Town Council has decided that periodic determination of net income is appropriate for accountability purposes.

Transit Fund - This fund is used to account for the operations of the Town's public transit system.

Parking Facilities Fund - This fund is used to account for the operations of the Town's public parking facilities.

Housing Operating Fund – This fund is used to account for federal grants restricted for the Town's conventional Public Housing program.

Stormwater Management Fund - This fund is the Town's only proprietary fund that is not classified as major, and is used to account for the operations of the Town's stormwater management department.

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2011

	Major Funds				
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,996,631	\$ 3,010,052	\$ 963,578	\$ 2,743,033	\$ 25,713,294
Receivables:					
Property taxes, net	304,755	60,913	-	1,175	366,843
Governmental units and agencies	4,004,902	-	417,874	553,757	4,976,533
Other	160,785	-	18,187	-	178,972
Inventories	3,285	-	-	16,538	19,823
Prepaid items	4,702	-	-	-	4,702
Restricted cash and equivalents	483,689	-	24,982,920	526,386	25,992,995
TOTAL ASSETS	<u>23,958,749</u>	<u>3,070,965</u>	<u>26,382,559</u>	<u>3,840,889</u>	<u>57,253,162</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 44,830	\$ 44,830
Accounts payable	1,012,901	-	266,914	61,671	1,341,486
Accrued liabilities	1,881,555	-	624	2,325	1,884,504
Deferred revenue	369,645	60,913	-	1,175	431,733
Unearned revenue	182,772	973	-	89,960	273,705
Deposits	83,915	-	-	8,438	92,353
Accounts payable from restricted assets	-	-	-	170,136	170,136
Other liabilities payable from restricted	-	-	-	51,487	51,487
Total liabilities	<u>3,530,788</u>	<u>61,886</u>	<u>267,538</u>	<u>430,022</u>	<u>4,290,234</u>

Continued

GOVERNMENTAL FUNDS

**BALANCE SHEET
JUNE 30, 2011**

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Nonspendable					
Inventories	\$ 3,285	\$ -	\$ -	\$ 16,538	\$ 19,823
Prepaid items	4,702	-	-	-	4,702
Restricted					
Stabilization by State Statute	5,074,720	-	2,851,001	2,038,822	9,964,543
Employee appreciation	99,559	-	-	-	99,559
Parks capital projects	75,332	-	4,953,598	-	5,028,930
Streets capital projects	143,520	-	4,384,746	-	4,528,266
Public housing	-	-	650,231	104,905	755,136
Public safety	165,278	-	-	18,628	183,906
Library	-	-	15,658,024	133,355	15,791,379
Committed					
Debt service payments	-	3,009,079	-	-	3,009,079
Infrastructure capital projects	-	-	-	214,031	214,031
Public housing	-	-	-	787,943	787,943
Economic development	-	-	-	19,856	19,856
Assigned					
Subsequent year's expenditures	1,121,605	-	-	123,660	1,245,265
Other post employment benefits	400,000	-	-	-	400,000
Streets capital projects	-	-	-	292,169	292,169
Municipal buildings projects	-	-	-	593,266	593,266
Comprehensive plan	103,291	-	-	-	103,291
Unassigned	13,236,669	-	(2,382,579)	(932,306)	9,921,784
Total fund balances	<u>20,427,961</u>	<u>3,009,079</u>	<u>26,115,021</u>	<u>3,410,867</u>	<u>52,962,928</u>
TOTAL LIABILITIES AND					
FUND BALANCES					
	<u>\$ 23,958,749</u>	<u>\$ 3,070,965</u>	<u>\$ 26,382,559</u>	<u>\$ 3,840,889</u>	<u>\$ 57,253,162</u>

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

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balances - total governmental funds \$ 52,962,928

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	156,961,944	
Less accumulated depreciation	49,438,469	107,523,475

Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental fund

Governmental bonds payable, certificates of participation and installment purchases	(55,445,000)	
Other postemployment benefits	(4,345,420)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(269,438)	
Accrued vacation payable	(2,310,915)	
Bond premium	(1,038,392)	
Bond discount	120,180	(63,412,131)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements	431,733
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Internal service funds are used by management to charge the costs of certain activities to individual funds

The assets and liabilities of the internal service funds that are reported within governmental activities	3,886,941
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Net assets of governmental activities	\$ 101,392,946
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The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
REVENUES					
Taxes	\$ 35,670,983	\$ 6,635,000	\$ -	\$ 171,421	\$ 42,477,404
Licenses and permits	1,591,840	-	-	-	1,591,840
Fines and forfeitures	19,067	-	-	-	19,067
Intergovernmental revenues					
Federal government	74,727	85,677	849,066	2,490,419	3,499,889
State government	6,526,008	-	711,107	50,624	7,287,739
Other	379,320	-	31,473	210,112	620,905
Charges for services	3,165,160	-	7,150	16,800	3,189,110
Interest on investments	37,166	6,728	22,621	4,809	71,324
Franchise rental fees	-	-	-	54,749	54,749
Program income	-	-	-	10,635	10,635
Donations	100,705	-	-	99,728	200,433
Revenue in lieu	89,276	-	-	506,324	595,600
Other	803,682	-	-	1,420	805,102
Total revenues	48,457,934	6,727,405	1,621,417	3,617,041	60,423,797
EXPENDITURES					
General government	8,280,508	-	-	-	8,280,508
Environment and development	12,584,354	-	-	1,386,254	13,970,608
Public safety	19,059,820	-	-	673,387	19,733,207
Leisure activities	7,986,795	-	-	64,655	8,051,450
Capital projects	-	-	2,434,186	2,668,327	5,102,513
Debt service:					
Principal	-	3,485,000	-	-	3,485,000
Interest and fiscal charges	-	1,996,991	-	-	1,996,991
Bond issuance costs	-	49,528	-	-	49,528
Total expenditures	47,911,477	5,531,519	2,434,186	4,792,623	60,669,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	546,457	1,195,886	(812,769)	(1,175,582)	(246,008)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)					
Issuance of debt	\$ -	\$ -	\$ 20,941,878	\$ -	\$ 20,941,878
Premium on sale of bonds	-	266,583	(266,583)	-	-
Transfer from other funds	192,876	-	25,142	1,939,474	2,157,492
Transfer to other funds	(1,863,674)	-	-	(67,043)	(1,930,717)
Total other financing sources (uses)	(1,670,798)	266,583	20,700,437	1,872,431	21,168,653
NET CHANGE IN TOTAL FUND BALANCES	(1,124,341)	1,462,469	19,887,668	696,849	20,922,645
FUND BALANCES, BEGINNING	21,552,302	1,546,610	6,227,353	2,714,018	32,040,283
FUND BALANCES, ENDING	<u>\$ 20,427,961</u>	<u>\$ 3,009,079</u>	<u>\$ 26,115,021</u>	<u>\$ 3,410,867</u>	<u>\$ 52,962,928</u>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$ 20,922,645
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Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	4,288,112	
Current year's depreciation	<u>5,078,484</u>	(790,372)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.	(44,012)
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Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.

Principal payments	3,485,000
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The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net assets.	(20,410,000)
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The amortization of bond premium in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities.	74,171
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The amortization of bond discount in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities.	(8,584)
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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

Change in long-term compensated absences	(68,160)
Change in long-term separation allowance	(14,665)
Other postemployment benefits	(1,346,467)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(640,910)
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Internal service funds are used by management to charge the costs of certain activities to individual funds	<u>602,828</u>
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Change in net assets of governmental activities	<u>\$ 1,761,474</u>
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The notes to the financial statements are an integral part of this statement.

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 25,485,000	\$ 25,485,000	\$ 25,805,697	\$ 320,697
Local option sales taxes	9,055,000	9,055,000	8,941,463	(113,537)
Other taxes	783,000	788,100	923,823	135,723
Licenses and permits	1,761,900	1,761,900	1,591,840	(170,060)
Fines and forfeitures	36,000	36,000	19,067	(16,933)
Intergovernmental revenues	6,711,648	6,939,357	6,980,055	40,698
Charges for services	2,890,790	2,890,790	3,165,160	274,370
Interest on investments	60,000	60,000	37,166	(22,834)
Other	625,210	722,106	993,663	271,557
TOTAL REVENUES	47,408,548	47,738,253	48,457,934	719,681
EXPENDITURES				
General government	9,351,281	10,848,654	8,280,508	2,568,146
Environment and development	13,351,009	13,705,859	12,584,354	1,121,505
Public safety	19,352,451	19,645,936	19,059,820	586,116
Leisure activities	8,600,036	8,739,097	7,986,795	752,302
Total expenditures	50,654,777	52,939,546	47,911,477	5,028,069
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,246,229)	(5,201,293)	546,457	5,747,750
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	131,222	160,643	192,876	32,233
Transfer to other funds	(1,949,223)	(2,172,912)	(1,863,674)	309,238
Appropriated fund balance	5,064,230	7,213,562	-	(7,213,562)
Total other financing sources (uses)	3,246,229	5,201,293	(1,670,798)	(6,872,091)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ (1,124,341)	\$ (1,124,341)
FUND BALANCE, BEGINNING			21,552,302	
FUND BALANCE, ENDING			\$ 20,427,961	

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,959,656	\$ 2,801,931	\$ 2,552,072	\$ 1,329,129
Restricted cash and cash equivalents	-	-	60,675	-
Receivables:				
Accounts receivable, net	55,299	14,941	20,425	123,450
Due from other funds	42,225	-	2,605	-
Governmental units and agencies	2,072,115	-	-	6,030
Property taxes, net	119,566	-	-	-
Prepaid items	267	-	-	4,316
Inventories	505,155	-	177,103	-
Total current assets	<u>9,754,283</u>	<u>2,816,872</u>	<u>2,812,880</u>	<u>1,462,925</u>
NONCURRENT ASSETS				
Restricted assets:				
Deferred charges	-	206,833	-	-
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,161,390	1,701,659	742,499
Other capital assets, net of accumulated depreciation	35,958,349	1,587,383	7,400,056	194,237
Total capital assets, net	<u>38,057,886</u>	<u>4,748,773</u>	<u>9,101,715</u>	<u>936,736</u>
Total noncurrent assets	<u>38,057,886</u>	<u>4,955,606</u>	<u>9,101,715</u>	<u>936,736</u>
TOTAL ASSETS	<u>47,812,169</u>	<u>7,772,478</u>	<u>11,914,595</u>	<u>2,399,661</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	307,279	161,543	57,967	59,373
Accrued liabilities	538,821	36,395	46,691	57,584
Deposits payable from restricted assets	-	-	60,120	-
Due to other funds	-	-	-	-
Compensated absences	440,102	32,210	58,782	49,700
Unearned revenue	121,018	8,585	-	-
Installment purchase agreements	-	-	-	-
Certificates of participation	-	295,000	-	-
Total current liabilities	<u>1,407,220</u>	<u>533,733</u>	<u>223,560</u>	<u>166,657</u>
NONCURRENT LIABILITIES				
Compensated absences	40,666	6,962	2,294	6,787
Other postemployment benefits	1,714,398	156,786	166,345	160,644
Installment purchase agreements	-	-	-	-
Certificates of participation	-	4,320,000	-	-
Total noncurrent liabilities	<u>1,755,064</u>	<u>4,483,748</u>	<u>168,639</u>	<u>167,431</u>
Total liabilities	<u>3,162,284</u>	<u>5,017,481</u>	<u>392,199</u>	<u>334,088</u>
NET ASSETS				
Invested in capital assets, net of related debt	38,057,886	133,773	9,101,715	936,736
Unrestricted	6,591,999	2,621,224	2,420,681	1,128,837
Total net assets	<u>\$ 44,649,885</u>	<u>\$ 2,754,997</u>	<u>\$ 11,522,396</u>	<u>\$ 2,065,573</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2011	2010	2011	2010
\$ 13,642,788	\$ 13,327,301	\$ 2,776,161	\$ 2,141,872
60,675	61,760	2,049,923	1,990,441
214,115	159,021	38,574	57,509
44,830	31,405	-	-
2,078,145	2,471,871	-	-
119,566	78,307	-	-
4,583	1,930	-	-
682,258	679,513	181,772	137,684
<u>16,846,960</u>	<u>16,811,108</u>	<u>5,046,430</u>	<u>4,327,506</u>
206,833	223,833	-	-
7,705,085	7,202,751	-	-
45,140,025	49,449,711	4,493,197	4,277,372
52,845,110	56,652,462	4,493,197	4,277,372
53,051,943	56,876,295	4,493,197	4,277,372
69,898,903	73,687,403	9,539,627	8,604,878
586,162	530,931	353,324	541,257
679,491	677,872	30,872	28,668
60,120	61,760	-	-
-	257,136	-	12,695
580,794	593,492	30,216	15,260
129,603	572,940	-	-
-	-	1,217,275	1,096,150
295,000	280,000	-	-
<u>2,331,170</u>	<u>2,974,131</u>	<u>1,631,687</u>	<u>1,694,030</u>
56,709	34,969	5,969	17,076
2,198,173	1,528,564	74,789	51,360
-	-	3,940,241	3,558,299
4,320,000	4,615,000	-	-
6,574,882	6,178,533	4,020,999	3,626,735
8,906,052	9,152,664	5,652,686	5,320,765
48,230,110	51,757,462	1,385,604	1,613,364
12,762,741	12,777,277	2,501,337	1,670,749
<u>\$ 60,992,851</u>	<u>\$ 64,534,739</u>	<u>\$ 3,886,941</u>	<u>\$ 3,284,113</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 673,269	\$ 1,879,797	\$ 507,305	\$ 1,841,152
OPERATING EXPENSES				
Personnel	11,514,302	773,402	818,785	1,052,919
Drainage maintenance	-	-	-	264,539
Depreciation and amortization	3,964,375	402,506	521,266	11,480
Fuel and tires	1,704,167	-	-	-
Indirect costs	1,042,975	74,152	-	97,807
Maintenance and repairs	49,478	48,460	341,287	-
Building maintenance	359,510	-	-	-
Vehicle maintenance	1,531,212	-	-	-
Utilities	-	-	156,334	-
Insurance	329,509	-	-	-
Marketing	28,908	-	-	-
Professional services	-	-	-	96,225
Tarheel Express	31,390	-	-	-
Uniforms and supplies	90,203	-	-	-
Credit card fees	-	28,182	-	-
Rent	-	83,522	-	51,792
Other	299,372	197,031	144,472	164,477
Total operating expenses	20,945,401	1,607,255	1,982,144	1,739,239
OPERATING INCOME (LOSS)	(20,272,132)	272,542	(1,474,839)	101,913
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,308,286	-	1,559,586	-
State Operating Assistance Grant	3,671,170	-	-	-
Operating assistance-UNC Chapel Hill	5,930,168	-	-	-
Operating assistance-Town of Carrboro	1,032,825	-	-	-
Vehicle licenses	423,163	-	-	-
Ad valorem taxes	2,929,657	-	-	-
Interest on investments	12,273	6,166	4,363	2,609
Insurance recovery	86,608	-	27,041	-
Interest expense	-	(178,525)	-	-
Gain on sale of capital assets	17,717	-	-	-
Bond issuance expense	-	(17,000)	-	-
Revenue in lieu	41,300	-	-	-
Total nonoperating revenues (expenses), net	16,453,167	(189,359)	1,590,990	2,609
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,818,965)	83,183	116,151	104,522
CAPITAL CONTRIBUTIONS	180,119	-	19,877	-
TRANSFERS				
Transfers in	392,933	-	-	5,824
Transfers out	(507,077)	(118,455)	-	-
Total transfers	(114,144)	(118,455)	-	5,824
CHANGE IN NET ASSETS	(3,752,990)	(35,272)	136,028	110,346
NET ASSETS, BEGINNING	48,402,875	2,790,269	11,386,368	1,955,227
NET ASSETS, ENDING	\$ 44,649,885	\$ 2,754,997	\$ 11,522,396	\$ 2,065,573

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2011	2010	2011	2010
\$ 4,901,523	\$ 4,828,984	\$ 2,971,215	\$ 2,873,669
14,159,408	13,797,783	603,675	624,852
264,539	218,574	-	-
4,899,627	4,837,309	1,194,060	1,246,653
1,704,167	1,205,772	-	-
1,214,934	1,194,701	-	-
439,225	1,589,843	-	-
359,510	427,794	-	-
1,531,212	-	-	-
156,334	153,812	-	-
329,509	348,489	-	-
28,908	30,356	-	-
96,225	94,638	-	-
31,390	50,166	-	-
90,203	156,519	-	-
28,182	-	-	-
135,314	-	-	-
805,352	987,082	611,195	657,393
26,274,039	25,092,838	2,408,930	2,528,898
(21,372,516)	(20,263,854)	562,285	344,771
3,867,872	4,969,163	35,260	-
3,671,170	3,570,322	-	-
5,930,168	5,828,502	-	-
1,032,825	1,032,835	-	-
423,163	392,677	-	-
2,929,657	2,890,870	-	-
25,411	36,054	6,906	6,742
113,649	-	16,364	3,613
(178,525)	(188,608)	(140,943)	(122,808)
17,717	34,779	122,956	20,098
(17,000)	(17,000)	-	-
41,300	21,000	-	-
17,857,407	18,570,594	40,543	(92,355)
(3,515,109)	(1,693,260)	602,828	252,416
199,996	5,665,439	-	-
398,757	180,720	-	4,240
(625,532)	(547,051)	-	(137,354)
(226,775)	(366,331)	-	(133,114)
(3,541,888)	3,605,848	602,828	119,302
64,534,739	60,928,891	3,284,113	3,164,811
\$ 60,992,851	\$ 64,534,739	\$ 3,886,941	\$ 3,284,113

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 994,064	\$ 1,880,933	\$ 511,233	\$ 1,797,601
Payments to employees	(11,421,979)	(729,507)	(775,562)	(995,427)
Payments to suppliers	(5,474,301)	(288,326)	(891,143)	(768,537)
Net cash provided by (used in) operating activities	<u>(15,902,216)</u>	<u>863,100</u>	<u>(1,155,472)</u>	<u>33,637</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grant funds received	5,979,456	-	1,559,586	-
Operating assistance received	6,962,993	-	-	-
Taxes and licenses received	3,352,820	-	-	-
Transfers to other funds	(507,077)	(118,455)	-	-
Transfers from other funds	392,933	-	-	5,824
Revenue in lieu received	41,300	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>16,222,425</u>	<u>(118,455)</u>	<u>1,559,586</u>	<u>5,824</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	(280,000)	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	(178,525)	-	-
Proceeds from sale of capital assets	17,717	-	-	-
Capital contributions	180,119	-	19,877	-
Proceeds from insurance recovery	86,608	-	27,041	-
Acquisition and construction of capital assets	(189,068)	(699,669)	(19,877)	(183,661)
Net cash provided by (used in) capital and related financing activities	<u>95,376</u>	<u>(1,158,194)</u>	<u>27,041</u>	<u>(183,661)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	12,273	6,166	4,363	2,609
Net cash provided by investing activities	<u>12,273</u>	<u>6,166</u>	<u>4,363</u>	<u>2,609</u>

Continued

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2011	2010	2011	2010
\$ 5,183,831	\$ 4,988,546	\$ 2,990,150	\$ 2,816,160
(13,922,475)	(12,942,663)	(586,888)	(579,639)
<u>(7,422,307)</u>	<u>(5,948,400)</u>	<u>(843,216)</u>	<u>(581,187)</u>
<u>(16,160,951)</u>	<u>(13,902,517)</u>	<u>1,560,046</u>	<u>1,655,334</u>
7,539,042	8,539,485	35,260	-
6,962,993	6,861,337	-	-
3,352,820	3,283,547	-	-
(625,532)	(547,051)	35,260	(137,354)
398,757	180,720	-	4,240
<u>41,300</u>	<u>21,000</u>	<u>-</u>	<u>-</u>
<u>17,669,380</u>	<u>18,339,038</u>	<u>70,520</u>	<u>(133,114)</u>
-	-	1,600,000	1,604,000
(280,000)	(270,000)	(1,096,933)	(940,438)
(178,525)	(188,608)	(140,943)	(122,808)
17,717	34,779	258,489	20,098
199,996	5,665,439	-	-
113,649	-	16,364	3,613
<u>(1,092,275)</u>	<u>(6,311,402)</u>	<u>(1,545,418)</u>	<u>(749,690)</u>
<u>(1,219,438)</u>	<u>(1,069,792)</u>	<u>(908,441)</u>	<u>(185,225)</u>
<u>25,411</u>	<u>36,054</u>	<u>6,906</u>	<u>6,742</u>
<u>25,411</u>	<u>36,054</u>	<u>6,906</u>	<u>6,742</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	427,858	(407,383)	435,518	(141,591)
CASH AND INVESTMENTS, BEGINNING	<u>6,531,798</u>	<u>3,209,314</u>	<u>2,177,229</u>	<u>1,470,720</u>
CASH AND INVESTMENTS, ENDING	<u>\$ 6,959,656</u>	<u>\$ 2,801,931</u>	<u>\$ 2,612,747</u>	<u>\$ 1,329,129</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (20,272,132)	\$ 272,542	\$ (1,474,839)	\$ 101,913
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,964,375	402,506	521,266	11,480
Changes in assets and liabilities:				
Receivables	320,795	1,136	5,568	(43,551)
Prepaid items	(142)	-	-	(2,511)
Inventories	(8,209)	-	5,464	-
Accounts payable	774	143,021	(254,514)	(91,186)
Accrued liabilities	(448,428)	695	1,943	4,072
Customer deposits	-	-	(1,640)	-
Accrued compensated absences	6,697	2,746	(3,421)	3,020
Accrued OPEB liability	<u>534,054</u>	<u>40,454</u>	<u>44,701</u>	<u>50,400</u>
Net cash provided by (used in) operating activities	<u>\$ (15,902,216)</u>	<u>\$ 863,100</u>	<u>\$ (1,155,472)</u>	<u>\$ 33,637</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2011	2010	2011	2010
314,402	3,402,783	729,031	1,343,737
<u>13,389,061</u>	<u>9,986,278</u>	<u>4,132,313</u>	<u>2,788,576</u>
\$ 13,703,463	\$ 13,389,061	\$ 4,861,344	\$ 4,132,313
\$ (21,372,516)	\$ (20,263,854)	\$ 562,285	\$ 344,771
4,899,627	4,837,309	1,194,060	1,246,653
283,948	97,802	18,935	(57,509)
(2,653)	(1,930)	-	-
(2,745)	46,310	(44,088)	20,334
(201,905)	464,966	(187,933)	55,872
(441,718)	170,092	(10,491)	(7,551)
(1,640)	61,760	-	-
9,042	(22,690)	(47,511)	32,116
<u>669,609</u>	<u>707,718</u>	<u>74,789</u>	<u>20,648</u>
\$ (16,160,951)	\$ (13,902,517)	\$ 1,560,046	\$ 1,655,334

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

A. Summary of Significant Accounting Policies

The accounting policies of the Town of Chapel Hill, North Carolina (the "Town") and its discretely presented component unit have been established in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The most significant of the accounting policies are described below.

1. Reporting Entity

The Town is located in the north-central portion of North Carolina on the Piedmont Plateau. The Town is a municipal corporation governed by a Council-Manager form of government with a nine member elected Town Council. As required by generally accepted accounting principles, these financial statements present financial position and results of operations of the Town and its component unit, Orange Water and Sewer Authority ("OWASA"). Of the nine OWASA board members, five are appointed by the Mayor and Town Council of Chapel Hill. These five members are a voting majority for OWASA. State statutes provide that any board member of OWASA may be removed, with or without cause, by the governing body appointing said member. Thus, OWASA falls within the definition of a component unit and is discretely presented and reported in a separate column in the Town's combined financial statements in order to emphasize that it is legally separate from the Town.

Orange Water and Sewer Authority (OWASA) – OWASA has the authority to adopt its own budget without approval of the Chapel Hill Town Council and has the authority to issue its own debt, which is not an obligation of the Town. Its operations are financed through water and sewer usage fees and it is presented as an enterprise fund. Complete financial statements for OWASA can be obtained from OWASA's administrative offices at 400 Jones Ferry Road, Carrboro, North Carolina, 27510.

2. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and

other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate financial statements are provided for governmental funds and proprietary funds. The Town has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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.

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes, licenses, and charges for services. The primary expenditures are for general government, environment and development, public safety, and leisure activities.

Debt Service Fund – The Debt Service Fund is used to account for the payment of general obligation long-term debt principal, interest and related costs. Such payments are financed by a portion of the property tax levy.

Capital Projects Ordinance Fund - These funds are used to account for capital asset acquisition and construction of various Town projects including several major capital projects financed by government bonds.

The Town reports the following non-major governmental funds:

Community Development Entitlement Grants Project Ordinance Fund - This fund is used to account for the Town's federal grants that are legally restricted for low and moderate-income housing, community development and rental rehabilitation activities.

Affordable Housing Fund – This fund is used to account for a program to assist with the purchase of homes to preserve neighborhoods and to provide home ownership opportunities for lower income households.

Transitional Housing Fund – This fund is used to account for a program designed to help public housing families make the transition from public housing to the private housing market. Services provided would include budget counseling, homeownership counseling, debt management and basic home maintenance and upkeep guidance.

Land Trust Fund – This fund is used for the acquisition of land for low-income housing.

Grants Fund – This fund is used to account for special purpose grants.

Downtown Service District Fund - This fund is used to account for the financial resources for capital improvements and other programs for the downtown service district established by the Town Council. Revenues for these improvements and programs are generated from a special district property tax levied in the downtown area.

Housing Loan Trust Fund – This fund enables lower-income families to receive loans for the purchase or renovation of homes at subsidized interest rates.

Library Gift Fund – This fund accounts for private contributions to the Town’s library.

Capital Projects Fund – This fund is used to account for capital asset (including infrastructure) acquisition and construction from general government resources and intergovernmental grants, as outlined in the Town’s fifteen-year capital budget.

Capital Reserve Fund – This fund is used to account for funds reserved for specific capital improvement projects including library facilities, water and sewer improvements and other general capital improvements.

Transit Grant Projects Ordinance Fund – This fund is used to account for federal and State grant awards in aid of the Town’s transportation system.

Public Housing Grant Projects Ordinance Fund – This fund is used to account for federal grants legally restricted for specific low and moderate income housing programs and activities.

The Town reports four proprietary funds:

Transit Fund - This fund is used to account for the operations of the Town's public transit system.

Parking Facilities Fund - This fund is used to account for the operations of the Town's public parking facilities.

Public Housing Operating Fund - This fund is used to account for the operations of the Town's conventional public housing program.

Stormwater Management Fund - This fund is used to account for the operations of the Town's Stormwater Management department, and is the Town’s only non-major proprietary fund.

Additionally, the Town reports internal service funds as follows:

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis. The Vehicle Replacement Fund, the Vehicle Maintenance Fund and the Computer Equipment Replacement Fund are the Town’s Internal Service Funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are non-exchange transactions, and revenues from property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt 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 subsequent year.

Durham and Orange Counties are 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 Chapel Hill. For motor vehicles, 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 Durham and Orange Counties from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2011-2012 fiscal year and are not shown as receivables at June 30, 2011.

Sales taxes 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 received but 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 and OWASA have 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.

4. Budgetary Control

As required by North Carolina General Statutes, balanced budgets are adopted for every fund on either an annual or project life basis. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Town Council and all annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Transit Grants Fund, Public Housing Capital Projects Fund, Community Development Entitlement Fund, Affordable Housing Fund, Transitional Housing Fund, Land Trust Fund and Capital Projects Ordinance Fund.

Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in multi-year funds. The Town Council must approve amendments at the functional level of the General Fund and at the project level in all other funds. The budgets in the supplemental section represent the budget as amended through June 30, 2011.

The Council's schedule for developing the 2010-11 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in February and a public

hearing was held in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 7, 2010.

Project-life budgets may cover multiple years for the life of a project or program. A chart follows, organized by fund type, showing each fund's budget period.

<u>Governmental Fund Types</u>	<u>Annual Budget</u>	<u>Project Life Budget</u>
General Fund	X	
Special Revenue Funds		
Community Development Entitlement Grants Projects Ordinance Fund		X
Affordable Housing Fund		X
Transitional Housing Fund		X
Land Trust Fund		X
Grants Fund	X	
Downtown Service District Fund	X	
Housing Loan Trust Fund	X	
Library Gift Fund	X	
Debt Service Fund	X	
Capital Projects Funds		
Capital Projects Ordinance Fund		X
Transit Grant Projects Ordinance Fund		X
Public Housing Grants Project Ordinance Fund		X
Capital Projects Fund	X	
Capital Reserve Fund	X	
<u>Proprietary Fund Types</u>		
Enterprise Funds	X	
Internal Service Funds	X	

OWASA also operates under an annual budget ordinance administered in accordance with the provisions of North Carolina state laws. The budget is adopted using the modified accrual basis of accounting. In addition, North Carolina General Statutes Section 159 places certain directions and limitations on the budget preparation. Revenues are reflected by source and expenditures by department. The budget is amended on a periodic basis as required by changing conditions. All annual appropriations lapse at fiscal year end.

In March of each year, OWASA requests information from various departments to project the amount of appropriations for each department so that a budget may be prepared. OWASA's board approves the budget in early June after public hearings are held.

5. Deposits and Investments

All deposits of the Town and OWASA are made in board-designated official depositories and are secured as required by State law [§159-31]. The Town and OWASA may designate, as an official depository, any bank or savings association whose principal office is located in North

Carolina. Also, the Town and OWASA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposits.

State law [§159-30(c)] authorizes the Town and OWASA 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).

OWASA's investments with a maturity of more than one year at acquisition and nonmoney market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

6. Cash and Cash Equivalents

The Town has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as "cash and cash equivalents." A portion of the cash of the Housing Operations Fund and Transitional Housing Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the Vehicle Replacement Internal Service Fund represents unspent loan proceeds restricted for the future purchase of equipment. Proceeds from the issuance of bonds and certificates of participation in the Capital Projects Ordinance Fund are restricted for capital projects. Also restricted are grants and donations in the Grants Fund, Library Gift Fund, and Community Development Entitlement Project Ordinance Fund.

7. Restricted Assets

Certain unspent proceeds of the certificates of participation and installment purchase agreements, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable debt agreements. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

8. Property Tax Receivable

In accordance with State statutes [§105-347 and §159-13(a)], property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until the following January 6, at which time the property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1, 2010.

9. Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained on all types of receivables which have historically experienced uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

10. Inventories

The Town's inventories are maintained for the supplies, fuel and parts of the General Fund, the Public Housing Operating Fund, the Land Trust Fund, the Vehicle Maintenance Fund and the Transit Fund. The General Fund and the Public Housing Operating Fund use the consumption method for inventories, under which inventory items are considered expenditures when used, rather than when purchased. The Town's inventories are valued at cost (first-in, first-out) or weighted average method, which approximates market. OWASA's materials and supplies inventories are valued at average cost.

11. Prepaid Items

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

12. Deferred Charges

Unamortized bond expense represents the difference between the reacquisition price and the net carrying amount of debt that is being deferred and amortized when new debt is issued for current or advanced refunding of existing debt. Costs incurred attributable to the issuance of OWASA's revenue bonds have been deferred and are being amortized over the life of the bonds using the effective interest method.

13. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported under governmental or business-type activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year for the Town and as having an individual cost of more than \$5,000 and an estimated useful life in excess of one year for OWASA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed by OWASA.

Capital assets are depreciated using the straight-line method by groups or classes of property over the following expected service lives:

Land improvements	10 – 100 years
Buildings	10 – 40 years
Infrastructure	25 years
Equipment	3 – 20 years
Buses	12 years
Other vehicles	3 – 15 years
Fixtures and equipment	5 – 20 years
Water treatment and distribution	20 – 60 years
Sewer collection and treatment	40 – 60 years

OWASA's assets under capitalized lease obligations are recorded at the discounted present value of the future minimum lease payments at the inception of the respective leases. The amounts capitalized are being amortized by the straight-line method over the lesser of the term of the lease or the estimated life of the asset. Amortization of these assets is included in depreciation expense.

14. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

15. Compensated Absences

The vacation policy of the Town and OWASA provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. At June 30, 2011, OWASA had recorded a liability for accrued vacation of \$446,832.

The sick leave policy for the Town and OWASA provide for and unlimited accumulation of 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 and OWASA do not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

16. Deferred and Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unavailable and unearned revenues reported in the governmental funds and deferred revenues on the government-wide statements were as follows:

Deferred & Unearned Revenue

	Deferred	Unearned	Total
Taxes receivable, net	\$ 366,843	\$ 6,802	\$ 373,645
Grants receivable	-	89,960	89,960
Other receivables	64,890	176,943	241,833
	<u>\$ 431,733</u>	<u>\$ 273,705</u>	<u>\$ 705,438</u>

17. Net Assets and Fund Balances

Net assets in governmental-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. At year-end, restricted net assets consisted of restricted cash and investments held for payment of future construction contracts.

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) 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.

Prepaid items – portion of fund balance that is not an available resource because it represents a prepayment of future liabilities.

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

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

Restricted for employee appreciation – portion of fund balance that is restricted by revenue source for recognition of excellence in Town employees in honor of former Town Manager Cal Horton.

Restricted for Parks and Streets Capital Projects – portion of fund balance that is restricted by revenue source to providing parks and street improvement projects arising from development applications and permits.

Restricted for Public Housing – portion of fund balance that is restricted by revenue source for public housing.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for support of police services.

Restricted for Library – portion of fund balance that is restricted by revenue source for library operations and renovation.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing board.

Committed for debt service payments – portion of fund balance assigned by the Board for debt service payments. This amount represents the residual balance of taxes received from the portion of the tax rate that is dedicated to making debt payments.

Committed for infrastructure capital projects – portion of fund balance directed by the Town Council to a fund for capital projects.

Committed for public housing – portion of fund balance directed by the Town Council to affordable housing initiatives.

Committed for economic development – portion of fund balance directed by the Town Council to projects that foster economic development and downtown initiatives.

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes. By ordinance, the Town Council authorizes the Town Manager to allocate funds to specific functions within some restrictions. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within a functional area or fund.

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 fund balance.

Assigned for other post-employment benefits – the portion of unencumbered fund balance intended to fund the Town's annual obligation for retiree medical care.

Assigned for Streets capital projects – portion of fund balance that has been budgeted for capital projects for Streets projects.

Assigned for municipal buildings projects – portion of fund balance that has been budgeted for capital projects to improve municipal buildings.

Assigned for Comprehensive plan – portion of fund balance that has been budgeted for Manager initiatives and downtown development.

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

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

The Town's guideline for the General Fund is to maintain available fund balance equal to or greater than 12% of budgeted expenditures for provide for cash flow considerations and emergencies. Fund balance over 12% may be appropriated for one-time expenditures, but the general guideline directs that fund balance not be used to fund ongoing operations.

18. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

B. Deposits

All deposits of the Town and OWASA are made in official depositories and are collateralized as required by North Carolina General Statute 159-31. The Town and OWASA may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Town and OWASA may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

All of the Town's and OWASA's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's or OWASA's agents in these units' names.

Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and OWASA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or OWASA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or OWASA 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 Pooling Method depository. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town and OWASA comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At year-end, the Town's deposits had a carrying amount of \$45,154,019 and a bank balance of \$45,657,985. Of the bank balance, \$2,100,771 was covered by federal depository insurance, \$2,149,980 was covered by collateral held under the Dedicated Method and \$41,407,234 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$5,244 at year end.

At year-end, OWASA's deposits had a carrying amount of \$21,324,700 and a bank balance of \$21,891,284. Of the bank balance, \$343,810 was covered by federal depository insurance and \$21,547,474 in interest-bearing deposits were covered by collateral held under the pooling method. OWASA had cash on hand of \$1,175 at year end.

C. Investments

All investments are stated at cost, which approximates fair value. The Town distributes interest earned to the various funds based on each fund's proportionate equity in pooled cash and investments during each month of the year.

North Carolina General Statute 159-30(c) authorizes the Town and OWASA 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 banker's acceptance; and The North Carolina Cash Management Trust, a SEC registered mutual fund.

At June 30, 2011, the Town had \$25,076,573 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. At June 30, 2011, OWASA had \$7,179,896 invested in mutual funds with the North Carolina Capital Management Trust.

Interest Rate Risk. The Town and OWASA do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The North Carolina Capital Management Trust has a weighted average maturity of .11 years as of June 30, 2011.

Credit risk. The Town and OWASA have no policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2011.

Custodial credit risk. For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which are held in the Town's name.

D. Receivables and Allowances for Uncollectible Amounts

Due from other governments to the Town at June 30, 2011 consists of the following:

	Governmental Funds	
Sales tax refunds receivable	\$	431,172
Due from Federal Government		462,199
Due from State		3,969,460
Due from local governments		113,702
	<u>\$</u>	<u>4,976,533</u>

Receivables as of year end include the following allowances for uncollectible accounts:

Governmental activities, allowance for uncollectible property taxes	\$	278,914
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E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2011 follows:

	July 1, 2010	Increases	Decreases	June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,925,348	\$ 13,675	\$ 44,012	\$ 26,895,011
Easements	-	77,359	-	77,359
Construction in progress	5,594,260	3,257,875	2,258,047	6,594,088
Total capital assets, not being depreciated	<u>32,519,608</u>	<u>3,348,909</u>	<u>2,302,059</u>	<u>33,566,458</u>
Capital assets, being depreciated:				
Land improvements	14,491,676	2,366,206	-	16,857,882
Infrastructure	36,025,440	42,240	-	36,067,680
Buildings and building improvements	63,122,797	211,415	-	63,334,212
Equipment	5,260,987	307,155	-	5,568,142
Vehicles	12,542,484	1,815,652	911,528	13,446,608
Total capital assets, being depreciated	<u>131,443,384</u>	<u>4,742,668</u>	<u>911,528</u>	<u>135,274,524</u>
Accumulated depreciation:				
Land improvements	2,861,290	743,485	-	3,604,775
Infrastructure	17,643,044	1,442,707	-	19,085,751
Buildings and building improvements	18,359,613	2,544,678	-	20,904,291
Equipment	4,330,426	249,693	-	4,580,119
Vehicles	8,133,388	1,291,981	775,995	8,649,374
Total accumulated depreciation	<u>51,327,761</u>	<u>6,272,544</u>	<u>775,995</u>	<u>56,824,310</u>
Total capital assets, being depreciated, net	<u>80,115,623</u>	<u>(1,529,876)</u>	<u>135,533</u>	<u>78,450,214</u>
Governmental activities capital assets, net	<u>\$ 112,635,231</u>	<u>\$ 1,819,033</u>	<u>\$ 2,437,592</u>	<u>\$ 112,016,672</u>

	July 1, 2010	Increases	Decreases	June 30, 2011
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Total capital assets, not being depreciated	<u>2,099,537</u>	<u>-</u>	<u>-</u>	<u>2,099,537</u>
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,623,884	-	-	17,623,884
Equipment	1,963,061	13,860	-	1,976,921
Vehicles	33,343,793	175,208	778,905	32,740,096
Total capital assets, being depreciated	<u>58,904,746</u>	<u>189,068</u>	<u>778,905</u>	<u>58,314,909</u>
Accumulated depreciation:				
Land improvements	2,953,525	202,498	-	3,156,023
Buildings and building improvements	2,550,309	817,291	-	3,367,600
Equipment	888,650	207,704	-	1,096,354
Vehicles	12,778,606	2,736,882	778,905	14,736,583
Total accumulated depreciation	<u>19,171,090</u>	<u>3,964,375</u>	<u>778,905</u>	<u>22,356,560</u>
Total capital assets, being depreciated, net	<u>39,733,656</u>	<u>(3,775,307)</u>	<u>-</u>	<u>35,958,349</u>
Transit fund capital assets, net	<u>\$ 41,833,193</u>	<u>\$ (3,775,307)</u>	<u>\$ -</u>	<u>\$ 38,057,886</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,749,838	\$ 399,127	\$ -	3,148,965
CIP	-	12,425	-	12,425
Total capital assets, not being depreciated	<u>2,749,838</u>	<u>411,552</u>	<u>-</u>	<u>3,161,390</u>
Capital assets, being depreciated:				
Land improvements	382,210	-	-	382,210
Buildings and building improvements	7,284,441	-	-	7,284,441
Equipment	253,269	288,117	-	541,386
Total capital assets, being depreciated	<u>7,919,920</u>	<u>288,117</u>	<u>-</u>	<u>8,208,037</u>
Accumulated depreciation:				
Land improvements	340,429	8,905	-	349,334
Buildings and building improvements	5,643,755	364,139	-	6,007,894
Equipment	233,964	29,462	-	263,426
Total accumulated depreciation	<u>6,218,148</u>	<u>402,506</u>	<u>-</u>	<u>6,620,654</u>
Total capital assets, being depreciated, net	<u>1,701,772</u>	<u>(114,389)</u>	<u>-</u>	<u>1,587,383</u>
Parking facilities fund capital assets, net	<u>\$ 4,451,610</u>	<u>\$ 297,163</u>	<u>\$ -</u>	<u>\$ 4,748,773</u>

	July 1, 2010	Increases	Decreases	June 30, 2011
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Total capital assets, not being depreciated	1,701,659	-	-	1,701,659
Capital assets, being depreciated:				
Land improvements	323,376	-	-	323,376
Buildings and building improvements	19,396,523	19,877	-	19,416,400
Equipment	355,028	-	-	355,028
Vehicles	210,026	-	-	210,026
Total capital assets, being depreciated	20,284,953	19,877	-	20,304,830
Accumulated depreciation:				
Land improvements	174,455	16,168	-	190,623
Buildings and building improvements	11,667,065	495,442	-	12,162,507
Equipment	355,028	-	-	355,028
Vehicles	186,960	9,656	-	196,616
Total accumulated depreciation	12,383,508	521,266	-	12,904,774
Total capital assets, being depreciated, net	7,901,445	(501,389)	-	7,400,056
Housing operating fund capital assets, net	\$ 9,603,104	\$ (501,389)	\$ -	\$ 9,101,715
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 651,717	\$ 90,782	\$ -	\$ 742,499
Total capital assets, not being depreciated	651,717	90,782	-	742,499
Capital assets, being depreciated:				
Land improvements	122,234	84,754	-	206,988
Equipment	11,200	8,125	-	19,325
Total capital assets, being depreciated	133,434	92,879	-	226,313
Accumulated depreciation:				
Land improvements	18,196	10,100	-	28,296
Equipment	2,400	1,380	-	3,780
Total accumulated depreciation	20,596	11,480	-	32,076
Total capital assets, being depreciated, net	112,838	81,399	-	194,237
Stormwater management fund capital assets, net	\$ 764,555	\$ 172,181	\$ -	\$ 936,736
Business-type activities capital assets, net	\$ 56,652,462	\$ (3,807,352)	\$ -	\$ 52,845,110

Depreciation expense was charged to function/programs of the Town as follows:

Governmental activities:	
General government	\$ 80,733
Environment and development	3,302,563
Public safety	218,803
Leisure activities	1,476,385
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,194,060
Total depreciation expense - governmental activities	<u>\$ 6,272,544</u>
Business-type activities:	
Transit	\$ 3,964,375
Parking facilities	402,506
Housing Operating	521,266
Stormwater Management	11,480
Total depreciation expense - business-type activities	<u>\$ 4,899,627</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2011, follows:

	July 1, 2010	Increases	Decreases	Transfers	June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 19,996,428	\$ -	\$ 1,998,542	\$ -	\$ 17,997,886
Construction in progress	13,967,296	7,245,337	11,060	(10,013,850)	11,187,723
Total capital assets, not being depreciated	<u>33,963,724</u>	<u>7,245,337</u>	<u>2,009,602</u>	<u>(10,013,850)</u>	<u>29,185,609</u>
Capital assets, being depreciated:					
Water treatment and distribution	144,039,239	662,653	-	1,320,478	146,022,370
Sewer collection and treatment	172,585,876	708,085	-	8,352,204	181,646,165
Fixtures and equipment	40,399,665	70,808	42,521	341,168	40,769,120
Total capital assets, being depreciated	<u>357,024,780</u>	<u>1,441,546</u>	<u>42,521</u>	<u>10,013,850</u>	<u>368,437,655</u>
Less accumulated depreciation for:					
Water treatment and distribution	40,012,326	3,318,957	-	-	43,331,283
Sewer collection and treatment	38,385,790	4,092,122	-	-	42,477,912
Fixtures and equipment	22,655,948	1,899,080	35,468	-	24,519,560
Total accumulated depreciation	<u>101,054,064</u>	<u>9,310,159</u>	<u>35,468</u>	<u>-</u>	<u>110,328,755</u>
Total capital assets, being depreciated, net	<u>255,970,716</u>	<u>(7,868,613)</u>	<u>7,053</u>	<u>10,013,850</u>	<u>258,108,900</u>
Total capital assets, net	<u>\$ 289,934,440</u>	<u>\$ (623,276)</u>	<u>\$ 2,016,655</u>	<u>\$ -</u>	<u>\$ 287,294,509</u>

Invested in capital assets, net of related debt for the Town's governmental activities is as follows:

Capital Assets	\$ 156,961,944
Depreciation	(49,438,469)
	<u>107,523,475</u>
Internal service fund capital assets, net of depreciation	4,493,197
Total Capital Assets, net	<u>\$ 112,016,672</u>
Debt:	
Short-term portion of debt	\$ 7,524,809
Long-term portion of debt	61,155,812
Total Debt	<u>68,680,621</u>
Less Separation allowance (unrelated to capital)	(269,438)
Less Compensated absences (unrelated to capital)	(2,347,100)
Less Other Postemployment Benefits (unrelated to capital)	(4,420,209)
Unspent proceeds, governmental funds	(24,982,920)
Unspent proceeds, internal service funds	(2,049,923)
Capital Related Debt	<u>34,611,031</u>
Capital assets, net of related debt	<u>\$ 77,405,641</u>

Invested in capital assets, net of related debt for the Town's business-type activities is as follows:

Total Capital Assets, net	<u>\$ 52,845,110</u>
Debt:	
Short-term portion of debt	875,794
Long-term portion of debt	6,574,882
Total Debt	<u>7,450,676</u>
Less Compensated Absences (unrelated to capital)	(637,503)
Less Other Postemployment Benefits (unrelated to capital)	(2,198,173)
Capital Related Debt	<u>4,615,000</u>
Capital assets, net of related debt	<u>\$ 48,230,110</u>

F. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities for the Town's governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
<u>Current liabilities:</u>		
Accounts payable	\$ 1,694,810	\$ 586,162
Accrued payroll and payroll related liabilities	1,915,376	679,491
Deposits	92,353	-
<u>Payable from restricted assets:</u>		
Accounts payable	170,136	-
Accrued payroll and payroll related liabilities	51,487	-
Deposits	-	60,120
	<u>\$ 3,924,162</u>	<u>\$ 1,325,773</u>

G. Long-Term Debt

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2011 is as follows:

Governmental Activities:	<u>Outstanding</u>
<i>General obligation bonds</i>	
\$1,800,000 - Parks and recreation construction and renovation - 1996 serial bonds payable in annual installments of \$100,000 through 2015; interest at 4.8% to 5.55%	\$ 400,000
\$4,250,000 Construction and renovation to Town facilities, including Recreation (\$1,315,000), Open space and greenways (\$1,185,000), Law enforcement facilities (\$100,000), Public Works facilities (\$290,000) and repair and construction of streets, sidewalks and bridges (\$1,360,000) - 2003 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2021; interest at 2% to 4%	2,825,000
\$4,000,000 Construction and renovation to Town facilities, including Library (\$500,000), Open space and greenways (\$1,200,000), Public Buildings (\$500,000), Parks and recreation facilities (\$300,000) and repair and construction of streets and sidewalks (\$1,500,000) - 2004 serial bonds payable in annual installments of \$200,000 through 2025; interest at 2.5% to 4.5%	2,800,000

\$4,950,000 Construction and renovation to Town facilities, including Sidewalks and pedestrian amenities (\$650,000), Library facility (\$1,500,000), Open space and greenways (\$800,000), Parks and recreation facilities (\$1,000,000) and Downtown streetscape improvements (\$1,000,000) - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	3,950,000
\$4,490,000 Refunding 1998 and 2000 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, and for acquisition of open space and greenways - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2% to 4%	3,725,000
\$8,160,000 Construction and renovation to Town facilities, including Library renovation (\$5,701,200), Streets and sidewalks (\$979,500) and Parks and recreation facilities (\$1,479,300) - 2010A serial bonds payable in annual installments of \$1,020,000 through 2019; interest at 2% to 4%	8,160,000
\$12,250,000 Construction and renovation to Town facilities, including Library renovation (\$8,558,800), Streets and sidewalks (\$1,470,500) and Parks and recreation facilities (\$2,220,700) - 2010B Build America Bonds (BABs) serial bonds payable in annual installments of \$1,020,000 to \$1,025,000 through 2031; interest at 3.5% to 4.9%	12,250,000
<i>Total general obligation bonds</i>	<u><u>\$ 34,110,000</u></u>
 <i>Certificates of Participation</i>	
\$26,000,000 - Certificates of Participation for construction of the Town Operations Center; due in annual installments of \$500,000 to \$1,365,000 through 2025; interest due in semi-annual installments at 3.5% to 5.25%	<u><u>\$ 19,040,000</u></u>
 <i>Business-type Activities:</i>	
\$7,340,000 - Certificates of Participation due in annual installments from \$220,000 to \$445,000 through 2024; interest due in semi-annual installments at 3.7% to be paid from the Parking Facilities Fund	<u><u>\$ 4,615,000</u></u>

Installment Notes Payables

Construction and renovation of facilities:

\$1,200,000 - to renovate the Hargraves Center	\$	120,000
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Bank of America installment purchase contract entered into April 2002 payable in varying annual installments through 2012; interest at 4.53%

\$1,050,000 - to renovate various municipal facilities		315,000
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Wachovia Bank installment purchase contract entered into April 2004 due in varying annual installments through 2014; interest at 2.92%

\$3,100,000 - to renovate the Aquatics Center and Community Center		1,860,000
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SunTrust Bank installment purchase contract entered into July 2007 payable in varying annual installments through 2017; interest at 3.5%

2,295,000

Purchase of fleet replacement vehicles:

\$1,599,500 -	\$	499,307
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Wachovia Bank installment purchase contract entered into October 2006 payable in annual installments of \$261,420 through 2013; interest at 3.73%

\$1,870,800 -		859,061
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SunTrust Bank installment purchase contract entered into November 2007 payable in annual installments of \$304,600 through 2014; interest at 3.59%

\$1,227,500 -		710,659
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RBC Centura installment purchase contract entered into April 2008 payable in annual installments of \$194,463 through 2015; interest at 2.82%

\$360,000 -		93,197
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RBC Centura installment purchase contract entered into April 2008 payable in annual installments of \$95,053 through 2012; interest at 2.46%

\$1,604,000 -		1,395,292
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SunTrust Bank installment purchase contract entered into February 2010 payable in annual installments of \$256,439 through 2017; interest at 3.075%

\$1,600,000 -		1,600,000
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Bank of America installment purchase contract entered into February 2011 payable in annual installments of \$249,764 through 2018; interest at 2.41%

5,157,516

Total installment notes payables

<u>\$</u>	<u>7,452,516</u>
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In addition to the general obligation bonds, installment notes payable and certificates of participation, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences, the law enforcement officers' special separation allowance and other postemployment benefits.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 2,595,000	\$ 1,267,348	\$ 3,862,348
2013	2,575,000	1,199,548	3,774,548
2014	2,560,000	1,114,673	3,674,673
2015	2,345,000	1,040,448	3,385,448
2016	2,060,000	960,035	3,020,035
2017-2021	9,515,000	3,728,725	13,243,725
2022-2026	7,150,000	2,120,117	9,270,117
2027-2031	5,310,000	736,912	6,046,912
	<u>\$ 34,110,000</u>	<u>\$ 12,167,806</u>	<u>\$ 46,277,806</u>

Annual debt service requirements to maturity for installment note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,752,275	\$ 219,522	\$ 1,971,797
2013	1,575,055	163,611	1,738,666
2014	1,348,384	114,903	1,463,287
2015	945,150	76,194	1,021,344
2016	786,955	48,236	835,191
2017-2018	1,044,697	29,408	1,074,105
	<u>\$ 7,452,516</u>	<u>\$ 651,874</u>	<u>\$ 8,104,390</u>

Annual debt service requirements to maturity for certificates of participation for the Town Operations Center are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,360,000	\$ 928,525	\$ 2,288,525
2013	1,360,000	864,125	2,224,125
2014	1,360,000	799,725	2,159,725
2015	1,360,000	739,075	2,099,075
2016	1,360,000	669,800	2,029,800
2017-2021	6,800,000	2,308,600	9,108,600
2022-2025	5,440,000	639,200	6,079,200
	<u>\$ 19,040,000</u>	<u>\$ 6,949,050</u>	<u>\$ 25,989,050</u>

Annual debt service requirements to maturity for certificates of participation for the Wallace Parking Deck are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 295,000	\$ 168,073	\$ 463,073
2013	305,000	157,065	462,065
2014	315,000	145,688	460,688
2015	330,000	133,848	463,848
2016	345,000	121,545	466,545
2017-2021	1,920,000	405,337	2,325,337
2022-2024	1,105,000	62,157	1,167,157
	<u>\$ 4,615,000</u>	<u>\$ 1,193,713</u>	<u>\$ 5,808,713</u>

Long-term debt activity for the year ended June 30, 2011 was as follows:

	June 30,			June 30,	Due Within
	2010	Additions	Reductions	2011	One Year
Governmental activities:					
General obligation bonds	\$ 15,285,000	\$ 20,410,000	\$ 1,585,000	\$ 34,110,000	\$ 2,595,000
Bond premium	1,112,563	-	74,171	1,038,392	-
Bond discount	(128,764)	-	8,584	(120,180)	-
Certificates of participation	20,405,000	-	1,365,000	19,040,000	1,360,000
Installment notes payable	7,484,449	1,600,000	1,631,933	7,452,516	1,752,275
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	254,773	14,665	-	269,438	-
Compensated absences - governmental activities	2,242,755	1,855,079	1,786,919	2,310,915	1,786,919
Compensated absences - internal service funds	32,336	34,065	30,216	36,185	30,216
Other postemployment benefits	2,998,953	1,346,467	-	4,345,420	-
Other postemployment benefits - internal service funds	51,360	23,429	-	74,789	-
Long-term debt	<u>\$ 49,861,571</u>	<u>\$ 25,283,705</u>	<u>\$ 6,481,823</u>	<u>\$ 68,680,621</u>	<u>\$ 7,524,410</u>
Business-type activities:					
Certificates of participation	\$ 4,895,000	\$ -	\$ 280,000	\$ 4,615,000	\$ 295,000
Compensated absences	628,461	589,836	580,794	637,503	580,794
Other postemployment benefits	1,528,564	669,609	-	2,198,173	-
Long-term debt	<u>\$ 7,052,025</u>	<u>\$ 1,259,445</u>	<u>\$ 860,794</u>	<u>\$ 7,450,676</u>	<u>\$ 875,794</u>

The Town issued \$6,690,000 of certificates of participation for the refinancing of the 1994 parking certificates of participation. As a result, the 1994 certificates of participation are considered to be defeased and the liability has been removed from the proprietary activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$340,000. This amount is being amortized over the life of the new certificates of participation. The refinancing was

undertaken to reduce total debt payments over the next 20 years by approximately \$2 million and resulted in a net present value savings of approximately \$1.4 million.

In December 2009, the Town issued \$4,490,000 in general obligation bonds to refund bonds issued in 1998 and 2000. The sale resulted in a savings of \$487,393 over the remaining life of the bonds.

In accordance with the provisions of the State Constitution and the Local Government Bond Act, as amended, the Town may not, with certain exceptions, have outstanding net bonded debt exceeding 8% of the appraised value of the property subject to taxation. At June 30, 2011, the legal debt margin for the Town was approximately \$559 million.

For governmental activities, compensated absences, separation allowance and other postemployment benefits are generally liquidated by the general fund.

OWASA's long-term debt as of June 30, 2011 consists of the following:

Revenue bonds payable, Series 2010 Revenue Serial Bonds, in the amount of \$21,645,000, issued September 30, 2010, with coupon rates of 3.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$1,574,122 at June 30, 2011	\$ 23,219,122
Revenue bonds payable, Series 2006 Revenue Serial Bonds , in the amount of \$15,500,000, issued October 26, 2006, with coupon rates of 4.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$519,854 at June 30, 2011 ; revenue bonds payable, Series 2006 Revenue Term Bonds, in the amount of \$6,785,000, issued October 26, 2006, with an interest rate of 5.0%, due in full July 2031	21,074,854
Revenue and revenue refunding bonds payable, Series 2005 Revenue and Revenue Refunding Bonds, issued June 9, 2005, with coupon rates of 3.5% to 5.0%, final maturity July 2020, net of unamortized premium and deferred refunding loss of \$154,792 at June 30, 2011	17,740,208
Revenue bonds payable, Series 2004A Revenue Bonds, in the amount of \$21,265,000, issued June 1, 2004, with coupon rates of 3.0% and 5.25%, final maturity July 2021, net of unamortized premium of \$123,145 at June 30, 2011 ; revenue bonds payable, Series 2004B Revenue Bonds, in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.37% at June 30, 2011), final maturity July 2029	25,383,145

Revenue and revenue refunding bonds payable, Series 2003 Revenue and Revenue Refunding Bonds, issued April 9, 2003, with coupon rates of 2.5% to 5.0%, final maturity July 2016, net of unamortized premium and deferred refunding loss at June 30, 2011	5,543,786
Revenue and revenue refunding bonds payable, Series 2001 Revenue and Revenue Refunding Bonds, issued September 13, 2001, with coupon rates of 3.5% to 5.0%, final maturity July 2026, net of unamortized premium and deferred refunding loss of \$7,788 at June 30, 2011	3,542,790
	<u>96,503,905</u>
Less current maturities:	
Bonds payable net of unamortized premiums and discounts and deferred refunding gains and losses	5,561,532
Long-term portion	<u>\$ 90,942,373</u>
Obligations under capital lease:	
Capitalized equipment lease obligation due in annual installments of \$24,264 which includes interest at 14.45% through February 1, 2013	\$ 34,159
Less current maturities:	20,662
Long-term portion	<u>\$ 13,497</u>
Total long-term debt	\$ 90,955,870

OWASA debt maturities are as follows:

Fiscal Year	Amortization of Premiums and Deferred Refunding			
	Maturities	Losses	Total	Interest
2012	\$ 5,450,000	\$ 111,532	\$ 5,561,532	\$ 4,245,382
2013	5,400,000	111,532	5,511,532	3,975,944
2014	5,170,000	107,638	5,277,638	3,765,375
2015	5,030,000	66,589	5,096,589	3,555,325
2016	5,255,000	66,589	5,321,589	3,333,875
2017-2021	24,965,000	611,361	25,576,361	12,976,732
2022-2026	23,640,000	597,308	24,237,308	7,723,976
2027-2031	18,295,000	127,833	18,422,833	2,476,994
2032	1,490,000	8,523	1,498,523	74,500
Total	\$ 94,695,000	\$ 1,808,905	\$ 96,503,905	\$ 42,128,103

Capital lease maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2012	\$ 20,662	\$ 3,602	\$ 24,264
2013	13,497	658	14,155
	\$ 34,159	\$ 4,260	\$ 38,419

On November 30, 2010, OWASA issued \$21,465,000 of advance revenue refunding bonds which were placed in an irrevocable trust for the purpose of general resources for all future debt service payments of \$22,925,000 of Series 2001 and Series 2004A Revenue Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price was lower than the net carrying amount of the old debt by \$1,280,000. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$2,345,800 and resulted in an economic gain of \$1,908,502.

In 2005, OWASA issued \$18,675,000, net of a discount of \$257,985, in Series 2005 Revenue and Revenue Refunding Bonds to provide for a partial refunding of Series 2001 and Series 1999 Revenue Bonds. The Authority irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the Series 2001 and Series 1999 Revenue Bonds as they become due. The par value of the defeased Series 2001 and Series 1999 Revenue Bonds at June 30, 2011 was \$9,125,000 and \$0, respectively.

In 1985, OWASA defeased Series 1977A Revenue Bonds by placing the proceeds of new bonds, Series 1985A Revenue Bonds, in an irrevocable trust to provide for all future debt service payments on the old bonds. The gain of \$1,517,000, resulting from the refunding is being amortized over the life of the new issue. In addition to the amounts held in the trust, the trustee also has a security interest in the revenues of OWASA, after provisions have been made for the payment of current expenses, as defined in the Bond Order dated March 7, 1985. The par value of the defeased Series 1977A Revenue Bonds at June 30, 2011 was \$335,000.

OWASA's long-term debt activity for the year ended June 30, 2011 is as follows:

	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 101,205,000	\$ 21,645,000	\$ 28,155,000	\$ 94,695,000	\$ 5,450,000
Less deferred amounts:					
For issuance premiums	2,037,336	3,798,355	793,681	5,042,010	440,550
For issuance discounts and deferred refunding	(1,466,669)	(2,141,383)	374,947	(3,233,105)	(329,018)
Capital lease	52,057	-	17,898	34,159	20,662
Compensated absences	405,070	54,262	12,500	446,832	335,000
OPEB	1,621,497	1,126,000	375,497	2,372,000	-
Total bonds payable	\$ 103,854,291	\$ 24,482,234	\$ 29,729,523	\$ 99,356,896	\$ 5,917,194

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$96,503,905 in revenue bonds issued in 2001, 2003, 2004, 2005, 2006 and 2010. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Principal and interest on the bonds are payable through 2031, solely from the water and sewer customer net revenues. Annual principal and interest on the bonds are expected to require approximately 51 percent of such net revenues. Principal and interest paid in the year ended June 30, 2011 was \$8,938,297.

OWASA is in compliance with the covenants to rates, fees, rentals, and charges in the Bond Order, authorizing the issuance of the Water and Sewer Bonds, Series 2001, 2003, 2004, 2005, 2006 and 2010. The Bond Order requires the debt service coverage ratio to be no less than 120% of the debt service requirements for parity indebtedness.

H. Fund Balance

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

Total fund balance - General Fund	\$ 20,427,961
Less:	
Inventories	3,285
Prepaid expenses	4,702
Stabilization by State Statute	5,074,720
Cal Horton award	99,559
Parks projects	75,332
Streets projects	143,520
Public safety	165,278
OPEB allocation	400,000
Manager's planning initiatives	103,291
Appropriated in FY12 budget	1,121,605
Working capital fund balance reserve	5,973,018
Remaining fund balance	7,263,651

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

Encumbrances	
Major funds:	
General Fund	\$ 1,457,612
Capital Projects Ordinance Fund	2,414,941
Non-major funds	1,485,065

I. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2011, the statements of the Town include a net of balances due to/from other funds in the amount of \$44,830 as detailed below. These amounts represent the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end.

Receivable Fund	Payable Fund	Amount
Housing operations fund	Housing capital grant fund	\$ 2,605
Transit fund	Transit capital grant fund	42,225
		<u>\$ 44,830</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2011 is as follows:

Transfers To	Transfers From	Amount
General Fund	Parking facility fund	\$ 118,455
Nonmajor governmental	Transit fund	\$ 114,144
Stormwater management fund	General fund	(5,824)
	Transfers to Governmental funds	<u>\$ 226,775</u>
Proprietary funds:		
Nonmajor governmental	Transit fund	\$ (114,144)
Stormwater management fund	General fund	5,824
General Fund	Parking facility fund	(118,455)
	Total transfers from Proprietary funds	<u>\$ (226,775)</u>

The Town uses transfers to move funds between various programs that must be accounted for in other funds in accordance with budgetary authorization, including amounts to provide matching funds for grants. Each year, the Parking fund transfers to the General fund all revenues over expenditures generated by on-street parking, a total of \$118,455 in fiscal 2011. The Transit fund makes a transfer each year for the required matches to Federal and State capital grants, which totaled \$114,144 in fiscal 2011. The transfer of \$5,824 from the General fund to the Stormwater Management is a reimbursement of a fee exemption.

J. Employees' Retirement System

1. North Carolina Local Governmental Employees' Retirement System

Plan Description: The Town of Chapel Hill and OWASA contribute to the State-wide 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.

Funding Policy: Plan members are required to contribute six percent of their annual covered salary. The Town and OWASA are 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 respectively, 6.44% and 6.41% of annual covered payroll. For OWASA, the current rate for employees is 6.88% of annual covered payroll. The contribution requirements of the Town of Chapel Hill and OWASA are established and may be amended by the North Carolina General Assembly.

The Town's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$2,125,113, \$1,586,994 and \$1,567,152 respectively. OWASA's contributions to LGERS for the years ended June 30, 2011, 2010, and 2009 were \$440,320, \$329,383 and \$333,736 respectively. The contributions made by the Town and OWASA equaled the required contribution for each year.

2. Law Enforcement Officers Special Separation Allowance

Plan Description: The Town of Chapel Hill administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit plan that provides retirement benefits to the Town's qualified sworn law enforcement officers.

The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer multiplied by the number of years 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, 2010, the Separation Allowance's membership consisted of:

Retirees receiving benefits	20
Active Plan members	<u>120</u>
TOTAL	<u>140</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.

Contributions: The Town is required by Article 12D of N.C.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 annual 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 is no contribution made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of between 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

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:

a	Employer annual required contribution	\$	323,899
b	Interest on net pension obligation		12,739
c	Adjustment to annual required contribution		(13,640)
d	Annual pension cost (a) + (b) + (c)	\$	322,998
e	Employer contributions made for fiscal year ended 6/30/2011		308,333
f	Increase (decrease) in net pension obligation (d) – (e)	\$	14,665
g	Net pension obligation, beginning of fiscal year		254,773
h	Net pension obligation, end of fiscal year (f) + (g)	\$	269,438

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2009	248,990	117.07%	280,611
6/30/2010	268,090	109.64%	254,773
6/30/2011	322,998	95.46%	269,438

Funded Status and Funding Progress: As of December 31, 2010, 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 \$3,157,252. The covered payroll (annual payroll of active employees covered by the plan) was \$6,181,559, and the ratio of the UAAL to the covered payroll was 51.08 percent.

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

3. 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 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, 2011 were \$517,622, which consisted of \$309,379 from the Town and \$208,243 from law enforcement officers.

4. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Plan Description: The Town has adopted a Supplemental Retirement Income Plan, a defined contribution plan, for regular employees. The plan is administered by Prudential Investment Management Services in accordance with Internal Revenue Code Section 401(k). The Town Council has the authority to establish and amend benefit provisions.

Funding Policy: The Town contributes five percent of each employee's qualified salary (excluding law enforcement officers) and all amounts are vested immediately. Employees may also make voluntary contributions. The Town Council has the authority to establish and amend contribution requirements. Contributions for the year ended June 30, 2011 were \$1,961,060, which consisted of \$1,338,159 from the Town and \$622,901 from employees.

K. Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, by ordinance of the Town Council, the Town administers a single employer defined benefit plan which also provides post-retirement health benefits to retirees of the Town. Employees hired before July 1, 2010 who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town are eligible for a defined benefit plan wherein the Town pays all or a portion of the cost of coverage for the benefits based on years of service. Also, these retirees can purchase coverage for their dependents at the Town's group rates. A separate report was not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	178
Active Members	714
	892
	892

Funding Policy. The Town pays the cost of coverage for the healthcare benefits of qualified retirees under a Town ordinance that can be amended by the Town Council. The Town's payment for the coverage (whether on group coverage or Medicare supplement) is based on the number of years of town service of the retired employee according to the following scale:

Retire with Town Service of		Individual Medical Insurance Premium	
At Least	Not More Than	Town Pays	Employee Pays
5 years	10 years	25%	75%
10 years	15 years	50%	50%
15 years	20 years	75%	25%
20 years	-	100%	0

Qualified retirees may also purchase dependent care coverage at the Town's group rate. For the fiscal year ended June 30, 2011, the Town made payments for post-retirement health benefit premiums of \$1,045,669 and the retirees made payments of \$302,815 for dependent care and for the employee's share of coverage according to the schedule above. The Town's obligation to contribute to the health benefit plan is established and may be amended by the Town Council.

The Town has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution rate (ARC) is 20.97% of annual covered payroll. For fiscal year 2011, the Town contributed \$1,045,669 or 3.2% 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, and from the Vehicle Maintenance, Parking, Transit, Stormwater Management and Public Housing Funds, which are

maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

For new employees hired on or after July 1, 2010, the Town Council established a Defined Contribution Plan where each employee will contribute a mandatory 1% of biweekly gross income to a health savings plan. The Town will contribute \$35.00 per biweekly pay period on behalf of the employee.

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 actuarially adjusted amount contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 3,156,632
Interest on net OPEB obligation	183,155
Adjustment to annual required contribution	<u>(254,613)</u>
Annual OPEB cost (expense)	3,085,174
Contributions (adjusted for implicit subsidy)	<u>(1,045,669)</u>
Increase in net OPEB obligation	2,039,505
Net OPEB obligation, beginning of year	<u>4,578,877</u>
Net OPEB obligation, end of year	<u><u>\$ 6,618,382</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 3,085,174	33.89%	\$ 6,618,382
2010	3,055,442	27.07%	4,578,877
2009	3,042,537	22.75%	2,350,448

Funding status and funding progress. As of December 31, 2010, 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 \$64,319,378. The covered payroll (annual payroll of active employees covered by the plan) was \$32,549,036, and the ratio of the UAAL to the covered payroll was 197.6%. 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.

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.00% and (b) 10.50% - 5.00% medical cost trend rate for pre-medicare and 8.50% - 5.00% medical cost trend rate for post-medicare with 2018 as the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2010 was 30 years.

L. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest consecutive months salary 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. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants.

For the fiscal year ended June 30, 2011, the Town made contributions to the State for death benefits of \$32,806. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

M. Commitments and Contingencies

The Town has commitments related to capital improvements at June 30, 2011 for the following:

Morgan Creek	\$ 67,841
I 40 West Project	89,906
Public Housing renovations	92,388
Battle Branch	148,077
Bolin Creek	224,488
ARRA-Energy projects	234,904
Other technology projects	256,838
Streets, paving, and drainage	283,305
Traffic projects	290,160
Municipal fiber project	449,513
Parking Projects	593,009
Vehicle purchases	654,295
Other	712,341
Downtown Initiative and Streetscape projects	715,622
Library expansion	1,727,767
	\$ 6,540,454

OWASA is committed under various contracts for the completion of water and wastewater treatment facilities and other water and sewer projects. OWASA's management estimates the cost to complete these contracts to be approximately \$4,427,295 at June 30, 2011.

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

N. 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 protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, law enforcement liability and property losses; and through participation in the Interlocal Risk Management Pool of North Carolina for workers' compensation. The Town maintains insurance coverage of \$3,000,000 for comprehensive general liability, \$5,000,000 for automobile liability, \$2,000,000 for law enforcement liability and public officials' liability, and a replacement cost coverage for property loss. The Town's potential loss for liability coverage is limited to the deductible amount of \$2,500 per claim for all coverage except public

officials' liability, which is limited to the deductible amount of \$5,000 per claim. The Town's potential loss for workers' compensation loss is limited to the deductible amount of \$5,000 per occurrence. There are no significant reductions in insurance coverage in the past year for any major risk category.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are 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 carries coverage totaling \$2,048,500 for the ten structures.

In accordance with G.S. §159-32, the Town's employees who have access to \$100 or more at any given time or access to inventory are covered through a blanket bond against loss up to \$100,000 per occurrence. The Town does not appoint a tax collector as taxes are collected by Orange and Durham Counties. The Finance Officer is individually bonded for \$200,000.

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2011 for outstanding claims and incurred but not reported claims are not considered material and, therefore, no provision is recorded within the financial statements. The amount of settlements has not exceeded insurance coverage in any of the past three years.

OWASA has property, general liability, workers' compensation, and employee health coverage. OWASA's claims have not exceeded coverage in any of the past three fiscal years.

O. Recent Pronouncements Issued

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement prior to June 30, 2011 that has an effective date that may impact future financial presentations.

- GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SUPPLEMENTAL INFORMATION ANALYSIS OF FUNDING PROGRESS
Last Six Fiscal Years**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY 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)
12/31/2005	-	2,335,038	2,335,038	-	5,197,878	44.92%
12/31/2006	-	2,596,862	2,596,862	-	5,332,846	48.70%
12/31/2007	-	2,575,455	2,575,455	-	5,533,957	46.54%
12/31/2008	-	2,680,650	2,680,650	-	5,922,981	45.26%
12/31/2009	-	3,375,079	3,375,079	-	6,037,006	55.91%
12/31/2010	-	3,157,252	3,157,252	-	6,181,559	51.08%

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
 Last Six Fiscal Years**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	220,451	108.88
2007	224,981	116.28
2008	242,203	120.50
2009	245,319	118.82
2010	265,423	110.74
2011	323,899	95.19

Notes to the Required Schedules:

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization method	20 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

**OTHER POSTEMPLOYMENT BENEFITS
SUPPLEMENTAL INFORMATION ANALYSIS OF FUNDING PROGRESS**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY 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)
12/31/2008	-	32,451,498	32,451,498	-	32,174,140	100.86%
12/31/2010	-	64,319,378	64,319,378	-	32,549,036	197.61%

**OTHER POSTEMPLOYMENT BENEFITS
SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
Last Three Years**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 3,042,537	22.75%
2010	3,055,442	27.07%
2011	3,156,632	33.13%

Notes to the Required Schedules:

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

Valuation date	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization method	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	10.50% - 5.00%
Post-Medicare trend rate	8.50% - 5.00%
Year of ultimate trend rate	2018
* Includes inflation at	3.00%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for revenues from earmarked sources which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses.

Community Development Entitlement Grant Projects Ordinance Fund - This fund is used to account for the Town's federal grants that are legally restricted for low and moderate-income housing, community development and rental rehabilitation activities.

Affordable Housing Fund – This fund is used to account for a program to assist with the purchase of homes to preserve neighborhoods and to provide home ownership opportunities for lower income households.

Transitional Housing Fund – This fund is used to account for a program designed to help public housing families make the transition from public housing to the private housing market. Services provided would include budget counseling, homeownership counseling, debt management and basic home maintenance and upkeep guidance.

Land Trust Fund – This fund is used for the acquisition of land for low-income housing.

Grants Fund – This fund is used to account for special purpose grants.

Downtown Service District Fund - This fund is used to account for the financial resources for capital improvements and other programs for the downtown service district established by the Town Council. Revenues for these improvements and programs are generated from a special district property tax levied in the downtown area.

Housing Loan Trust Fund – This fund enables lower-income families to receive loans for the purchase or renovation of homes at subsidized interest rates.

Library Gift Fund – This fund accounts for private contributions to the Town's library.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are 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, trust funds or special revenue funds.

The Capital Projects Fund - This fund is used to account for capital asset (including infrastructure) acquisition and construction from general government resources and intergovernmental grants, as outlined in the Town's fifteen-year capital budget.

The Capital Reserve Fund - This fund is used to account for funds reserved for specific capital improvement projects including library facilities, water and sewer improvements and other general capital improvements.

Transit Grant Projects Ordinance Fund – This fund is used to account for federal and State grant awards in aid of the Town's transportation system.

Public Housing Grant Projects Ordinance Fund – This fund is used to account for federal grants legally restricted for specific low and moderate income housing programs and activities.

OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2011	2010
ASSETS				
Cash and cash equivalents	\$ 1,915,428	\$ 827,605	\$ 2,743,033	\$ 2,200,787
Receivables:				
Governmental units and agencies	289,722	264,035	553,757	472,688
Property taxes, net	-	1,175	1,175	3,693
Inventories	-	16,538	16,538	16,538
Prepaid items	-	-	-	153
Restricted cash and cash equivalents	214,031	312,355	526,386	628,008
TOTAL ASSETS	\$ 2,419,181	\$ 1,421,708	\$ 3,840,889	\$ 3,321,867
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 44,830	\$ -	\$ 44,830	\$ 166,420
Accounts payable	131,816	99,991	231,807	315,199
Accrued liabilities	-	53,812	53,812	56,922
Deferred revenue	-	1,175	1,175	3,694
Unearned revenue	36,553	53,407	89,960	54,388
Security deposits	-	8,438	8,438	11,226
Total liabilities	213,199	216,823	430,022	607,849
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	-	-	-	153
Restricted				
Stabilization by State Statute	1,395,113	643,709	2,038,822	672,014
Public housing	-	104,905	104,905	104,905
Public safety	-	18,628	18,628	55,284
Library	-	133,355	133,355	258,661
Committed				
Infrastructure capital projects	214,031	-	214,031	213,630
Public housing	-	787,943	787,943	377,579
Economic development	-	19,856	19,856	28,948
Assigned				
Subsequent year's expenditures	-	123,660	123,660	960
Streets capital projects	292,169	-	292,169	428,095
Municipal buildings capital projects	593,266	-	593,266	228,558
Parks capital projects	-	-	-	180,851
Technology capital projects	-	-	-	147,842
Unassigned	(288,597)	(643,709)	(932,306)	-
Total fund balances	2,205,982	1,204,885	3,410,867	2,714,018
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,419,181	\$ 1,421,708	\$ 3,840,889	\$ 3,321,867

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
JUNE 30, 2011**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 750,482	\$ 18,823	\$ 30,344
Receivables:				
Governmental units and agencies	151,588	-	-	-
Property taxes, net	-	-	-	-
Inventories	-	-	-	16,538
Prepaid items	-	-	-	-
Restricted cash and cash equivalents	33,170	-	-	-
TOTAL ASSETS	\$ 184,758	\$ 750,482	\$ 18,823	\$ 46,882
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	76,700	-	7,783	-
Accrued liabilities	3,153	-	-	-
Deferred revenue	-	-	-	-
Unearned revenue	-	-	-	-
Security deposits	-	-	8,438	-
Total liabilities	79,853	-	16,221	-
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	16,538
Prepaid expenses	-	-	-	-
Restricted				
Stabilization by State Statute	226,373	152,183	-	-
Public housing	104,905	-	-	-
Public safety	-	-	-	-
Library	-	-	-	-
Committed				
Public housing	-	750,482	2,602	30,344
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	(226,373)	(152,183)	-	-
Total fund balances	104,905	750,482	2,602	46,882
TOTAL LIABILITIES AND FUND BALANCES	\$ 184,758	\$ 750,482	\$ 18,823	\$ 46,882

Schedule 2

Grants Fund	Downtown Service District	Housing Loan Trust Fund	Library Gift Fund	Comparative Totals	
				2011	2010
\$ -	\$ 22,181	\$ 5,775	\$ -	\$ 827,605	\$ 493,844
112,447	-	-	-	264,035	295,103
-	1,175	-	-	1,175	3,693
-	-	-	-	16,538	16,538
-	-	-	-	-	153
22,140	-	-	257,045	312,355	320,398
<u>\$ 134,587</u>	<u>\$ 23,356</u>	<u>\$ 5,775</u>	<u>\$ 257,045</u>	<u>\$ 1,421,708</u>	<u>\$ 1,129,729</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,178
14,218	-	-	1,290	99,991	162,884
48,334	2,325	-	-	53,812	55,711
-	1,175	-	-	1,175	3,694
53,407	-	-	-	53,407	12,008
-	-	-	-	8,438	11,226
<u>115,959</u>	<u>3,500</u>	<u>-</u>	<u>1,290</u>	<u>216,823</u>	<u>286,701</u>
-	-	-	-	16,538	16,538
-	-	-	-	-	153
265,153	-	-	-	643,709	-
-	-	-	-	104,905	104,905
18,628	-	-	-	18,628	55,284
-	-	-	133,355	133,355	258,661
-	-	4,515	-	787,943	377,579
-	19,856	-	-	19,856	28,948
-	-	1,260	122,400	123,660	960
(265,153)	-	-	-	(643,709)	-
<u>18,628</u>	<u>19,856</u>	<u>5,775</u>	<u>255,755</u>	<u>1,204,885</u>	<u>843,028</u>
<u>\$ 134,587</u>	<u>\$ 23,356</u>	<u>\$ 5,775</u>	<u>\$ 257,045</u>	<u>\$ 1,421,708</u>	<u>\$ 1,129,729</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2011	2010
ASSETS						
Cash and cash equivalents	\$ 1,915,428	\$ -	\$ -	\$ -	\$ 1,915,428	\$ 1,706,943
Due from governmental units and agencies	130,411	-	120,397	38,914	289,722	177,585
Restricted cash and cash equivalents	-	214,031	-	-	214,031	307,610
TOTAL ASSETS	\$ 2,045,839	\$ 214,031	\$ 120,397	\$ 38,914	\$ 2,419,181	\$ 2,192,138
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 42,225	\$ 2,605	\$ 44,830	\$ 125,242
Accounts payable	53,888	-	41,619	36,309	131,816	152,315
Accrued liabilities	-	-	-	-	-	1,211
Unearned revenue	-	-	36,553	-	36,553	42,380
Total liabilities	53,888	-	120,397	38,914	213,199	321,148
FUND BALANCES						
Restricted						
Stabilization by State Statute	1,106,516	-	172,441	116,156	1,395,113	672,014
Committed						
Infrastructure capital projects	-	214,031	-	-	214,031	213,630
Assigned						
Streets capital projects	292,169	-	-	-	292,169	428,095
Municipal buildings capital projects	593,266	-	-	-	593,266	228,558
Parks capital projects	-	-	-	-	-	180,851
Technology capital projects	-	-	-	-	-	147,842
Unassigned	-	-	(172,441)	(116,156)	(288,597)	-
Total fund balances	1,991,951	214,031	-	-	2,205,982	1,870,990
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,045,839	\$ 214,031	\$ 120,397	\$ 38,914	\$ 2,419,181	\$ 2,192,138

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2011	2010
REVENUES				
Taxes	-	171,421	171,421	164,272
Intergovernmental revenues				
Federal government	1,388,470	1,101,949	2,490,419	7,146,691
State government	9,211	41,413	50,624	494,384
Other	180,407	29,705	210,112	171,516
Charges for services	16,800	-	16,800	52,741
Interest on investments	2,651	2,158	4,809	9,385
Franchise rental fees	54,749	-	54,749	53,163
Program income	-	10,635	10,635	194,307
Donations	-	99,728	99,728	194,015
Revenue in lieu	75,424	430,900	506,324	5,000
Other	1,420	-	1,420	6,501
Total revenues	1,729,132	1,887,909	3,617,041	8,491,975
EXPENDITURES				
Environment and development	-	1,386,254	1,386,254	8,264,403
Public safety	-	673,387	673,387	912,238
Leisure activities	-	64,655	64,655	14,518
Capital projects	2,668,327	-	2,668,327	583,042
Total expenditures	2,668,327	2,124,296	4,792,623	9,774,201
(DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(939,195)	(236,387)	(1,175,582)	(1,282,226)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	1,266,809	672,665	1,939,474	1,193,654
Transfer to other funds	7,378	(74,421)	(67,043)	(372,784)
Total other financing sources (uses)	1,274,187	598,244	1,872,431	820,870
NET CHANGE IN TOTAL FUND BALANCES	334,992	361,857	696,849	(461,356)
FUND BALANCES, BEGINNING	1,870,990	843,028	2,714,018	3,175,374
FUND BALANCES, ENDING	\$ 2,205,982	\$ 1,204,885	\$ 3,410,867	\$ 2,714,018

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Federal government	706,305	-	-	-
State government	-	-	-	-
Other	-	-	-	-
Charges for services	-	-	-	-
Interest on investments	-	855	40	57
Program income	-	-	10,635	-
Donations	-	-	-	-
Revenue in lieu	-	430,900	-	-
Other	-	-	-	-
	<u>706,305</u>	<u>431,755</u>	<u>10,675</u>	<u>57</u>
Total revenues				
EXPENDITURES				
Environment and development	706,305	21,970	10,016	-
Public safety	-	-	-	-
Leisure activities	-	-	-	-
	<u>706,305</u>	<u>21,970</u>	<u>10,016</u>	<u>-</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>409,785</u>	<u>659</u>	<u>57</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCES				
	-	409,785	659	57
FUND BALANCES, BEGINNING				
	<u>104,905</u>	<u>340,697</u>	<u>1,943</u>	<u>46,825</u>
FUND BALANCES, ENDING				
	<u>\$ 104,905</u>	<u>\$ 750,482</u>	<u>\$ 2,602</u>	<u>\$ 46,882</u>

Schedule 5

Grants Fund	Downtown Service District	Housing Loan Trust Fund	Library Gift Fund	Comparative Totals	
				2011	2010
\$ -	\$ 171,421	\$ -	\$ -	\$ 171,421	\$ 164,272
395,644	-	-	-	1,101,949	1,447,282
41,413	-	-	-	41,413	48,494
29,705	-	-	-	29,705	86,841
-	-	-	-	-	27,356
-	675	10	521	2,158	3,491
-	-	-	-	10,635	194,307
-	-	-	99,728	99,728	194,015
-	-	-	-	430,900	5,000
-	-	-	-	-	150
466,762	172,096	10	100,249	1,887,909	2,171,208
466,775	181,188	-	-	1,386,254	1,695,333
673,387	-	-	-	673,387	912,238
6,500	-	-	58,155	64,655	14,518
1,146,662	181,188	-	58,155	2,124,296	2,622,089
(679,900)	(9,092)	10	42,094	(236,387)	(450,881)
672,665	-	-	-	672,665	368,944
(29,421)	-	-	(45,000)	(74,421)	(265,240)
643,244	-	-	(45,000)	598,244	103,704
(36,656)	(9,092)	10	(2,906)	361,857	(347,177)
55,284	28,948	5,765	258,661	843,028	1,190,205
\$ 18,628	\$ 19,856	\$ 5,775	\$ 255,755	\$ 1,204,885	\$ 843,028

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2011	2010
REVENUES						
Intergovernmental revenues						
Federal government	\$ 19,533	\$ -	\$ 564,217	\$ 804,720	1,388,470	\$ 5,699,409
State government	-	-	9,211	-	9,211	445,890
Other	112,878	-	67,529	-	180,407	84,675
Charges for services	13,800	-	3,000	-	16,800	25,385
Interest on investments	2,250	401	-	-	2,651	5,894
Franchise rental fees	54,749	-	-	-	54,749	53,163
Revenue in lieu	75,424	-	-	-	75,424	-
Other	-	-	-	1,420	1,420	6,351
Total revenues	<u>278,634</u>	<u>401</u>	<u>643,957</u>	<u>806,140</u>	<u>1,729,132</u>	<u>6,320,767</u>
EXPENDITURES						
Capital projects:						
Municipal facilities	133,090	-	-	806,140	939,230	715,740
Street improvements and sidewalks	481,312	-	-	-	481,312	159,940
Parks, recreation and open space	295,870	-	-	-	295,870	270,123
Technology and communications	213,949	-	-	-	213,949	7,497
Transit equipment and improvements	-	-	737,966	-	737,966	5,998,812
Total expenditures	<u>1,124,221</u>	<u>-</u>	<u>737,966</u>	<u>806,140</u>	<u>2,668,327</u>	<u>7,152,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(845,587)</u>	<u>401</u>	<u>(94,009)</u>	<u>-</u>	<u>(939,195)</u>	<u>(831,345)</u>
OTHER FINANCING SOURCES (USES)						
Transfer from General Fund	1,172,800	-	-	-	1,172,800	-
Transfer from Transit Fund	-	-	94,009	-	94,009	350,710
Transfer to Capital Projects Ordinance Fund	9,858	-	-	-	9,858	474,000
Transfer to Grants Fund	(2,480)	-	-	-	(2,480)	(107,544)
Total other financing sources (uses)	<u>1,180,178</u>	<u>-</u>	<u>94,009</u>	<u>-</u>	<u>1,274,187</u>	<u>717,166</u>
NET CHANGE IN TOTAL FUND BALANCES	334,591	401	-	-	334,992	(114,179)
FUND BALANCES, BEGINNING	<u>1,657,360</u>	<u>213,630</u>	<u>-</u>	<u>-</u>	<u>1,870,990</u>	<u>1,985,169</u>
FUND BALANCES, ENDING	<u>\$ 1,991,951</u>	<u>\$ 214,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,205,982</u>	<u>\$ 1,870,990</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis.

Vehicle Replacement Fund – This fund is used to account for the rental of motor vehicles to other departments and related costs.

Vehicle Maintenance Fund – This fund is used to account for the cost of the maintenance of Town vehicles.

Computer Equipment Replacement Fund – This fund is used to account for the rental of computer equipment and software.

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2011	2010
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,127,031	\$ 120,544	\$ 528,586	\$ 2,776,161	\$ 2,141,872
Accounts receivable	-	38,574	-	38,574	57,509
Inventories	-	181,772	-	181,772	137,684
Restricted cash and cash equivalents	2,049,923	-	-	2,049,923	1,990,441
	<u>4,176,954</u>	<u>340,890</u>	<u>528,586</u>	<u>5,046,430</u>	<u>4,327,506</u>
NONCURRENT ASSETS					
Capital assets, net of depreciation	4,488,029	4,079	1,089	4,493,197	4,277,372
	<u>8,664,983</u>	<u>344,969</u>	<u>529,675</u>	<u>9,539,627</u>	<u>8,604,878</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	170,343	61,553	121,428	353,324	541,257
Accrued liabilities	-	30,872	-	30,872	28,668
Due to other funds	-	-	-	-	12,695
Compensated absences	-	30,216	-	30,216	15,260
Installment purchase agreements	1,217,275	-	-	1,217,275	1,096,150
	<u>1,387,618</u>	<u>122,641</u>	<u>121,428</u>	<u>1,631,687</u>	<u>1,694,030</u>
NONCURRENT LIABILITIES					
Compensated absences	-	5,969	-	5,969	17,076
Other postemployment benefits	-	74,789	-	74,789	51,360
Installment purchase agreements	3,940,241	-	-	3,940,241	3,558,299
	<u>3,940,241</u>	<u>80,758</u>	<u>-</u>	<u>4,020,999</u>	<u>3,626,735</u>
	<u>5,327,859</u>	<u>203,399</u>	<u>121,428</u>	<u>5,652,686</u>	<u>5,320,765</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,380,436	4,079	1,089	1,385,604	1,613,364
Unrestricted	1,956,688	137,491	407,158	2,501,337	1,670,749
	<u>3,337,124</u>	<u>141,570</u>	<u>408,247</u>	<u>3,886,941</u>	<u>3,284,113</u>
TOTAL NET ASSETS	<u>\$ 3,337,124</u>	<u>\$ 141,570</u>	<u>\$ 408,247</u>	<u>\$ 3,886,941</u>	<u>\$ 3,284,113</u>

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2011	2010
OPERATING REVENUES					
Charges for services	\$ 1,650,000	\$ 1,171,190	\$ 150,025	\$ 2,971,215	\$ 2,873,669
OPERATING EXPENSES					
Depreciation and amortization	1,190,716	1,165	2,179	1,194,060	1,246,653
Personnel	-	603,675	-	603,675	624,852
Operations	19,326	456,466	135,403	611,195	657,393
Total operating expenses	1,210,042	1,061,306	137,582	2,408,930	2,528,898
OPERATING INCOME	439,958	109,884	12,443	562,285	344,771
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	16,364	-	16,364	3,613
Interest on investments	6,036	34	836	6,906	6,742
Interest expense	(140,943)	-	-	(140,943)	(122,808)
Clean fuels grant	35,260	-	-	35,260	-
Gain on sale of capital assets	121,871	-	1,085	122,956	20,098
Total nonoperating revenues (expenses), net	22,224	16,398	1,921	40,543	(92,355)
CHANGE IN NET ASSETS BEFORE TRANSFERS	462,182	126,282	14,364	602,828	252,416
TRANSFERS					
Transfers in	-	-	-	-	4,240
Transfers out	-	-	-	-	(137,354)
Total transfers	-	-	-	-	(133,114)
CHANGE IN NET ASSETS	462,182	126,282	14,364	602,828	119,302
NET ASSETS, BEGINNING	2,874,942	15,288	393,883	3,284,113	3,164,811
NET ASSETS, ENDING	\$ 3,337,124	\$ 141,570	\$ 408,247	\$ 3,886,941	\$ 3,284,113

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,650,000	\$ 1,190,125	\$ 150,025	\$ 2,990,150	\$ 2,816,160
Payments to employees	-	(586,888)	-	(586,888)	(579,639)
Payments to suppliers	(330,150)	(499,091)	(13,975)	(843,216)	(581,187)
Net cash provided by (used in) operating activities	1,319,850	104,146	136,050	1,560,046	1,655,334
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Grant funds received	35,260	-	-	35,260	-
Transfers to other funds	-	-	-	-	(137,354)
Transfers from other funds	-	-	-	-	4,240
Net cash provided by noncapital financing activities	35,260	-	-	35,260	(133,114)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	1,600,000	-	-	1,600,000	1,604,000
Principal paid on installment purchase agreements	(1,096,933)	-	-	(1,096,933)	(940,438)
Interest paid on installment purchase agreements	(140,943)	-	-	(140,943)	(122,808)
Proceeds from sale of capital assets	257,404	-	1,085	258,489	20,098
Proceeds from insurance recovery	-	16,364	-	16,364	3,613
Acquisition and construction of capital assets	(1,545,418)	-	-	(1,545,418)	(749,690)
Net cash provided by (used in) capital and related financing activities	(925,890)	16,364	1,085	(908,441)	(185,225)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	6,036	34	836	6,906	6,742
Net cash provided by investing activities	6,036	34	836	6,906	6,742

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2011 (With Comparative Totals as of June 30, 2010)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2011	2010
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	435,256	120,544	137,971	693,771	1,343,737
CASH AND INVESTMENTS, BEGINNING	3,741,698	-	390,615	4,132,313	2,788,576
CASH AND INVESTMENTS, ENDING	<u>\$ 4,176,954</u>	<u>\$ 120,544</u>	<u>\$ 528,586</u>	<u>\$ 4,826,084</u>	<u>\$ 4,132,313</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 439,958	\$ 109,884	\$ 12,443	\$ 562,285	\$ 344,771
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,190,716	1,165	2,179	1,194,060	1,246,653
Changes in assets and liabilities:					
Receivables	-	18,935	-	18,935	(57,509)
Prepaid expenses	-	-	-	-	-
Inventories	-	(44,088)	-	(44,088)	20,334
Accounts payable	(310,824)	1,463	121,428	(187,933)	55,872
Accrued liabilities	-	(10,491)	-	(10,491)	(7,551)
Compensated absences	-	(47,511)	-	(47,511)	32,116
Accrued OPEB liability	-	74,789	-	74,789	20,648
Net cash provided by operating activities	<u>\$ 1,319,850</u>	<u>\$ 104,146</u>	<u>\$ 136,050</u>	<u>\$ 1,560,046</u>	<u>\$ 1,655,334</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 25,340,000	\$ 25,340,000	\$ 25,599,797	\$ 259,797
Ad valorem taxes - prior years	105,000	105,000	140,234	35,234
Interest on delinquent taxes	40,000	40,000	65,666	25,666
Local option sales taxes	9,055,000	9,055,000	8,941,463	(113,537)
Occupancy tax	750,000	750,000	872,115	122,115
Other taxes	33,000	38,100	51,708	13,608
Total taxes	<u>35,323,000</u>	<u>35,328,100</u>	<u>35,670,983</u>	<u>342,883</u>
Licenses and permits				
Motor vehicles	410,000	410,000	425,536	15,536
Privilege licenses	140,000	140,000	134,443	(5,557)
Building permits	865,000	865,000	666,203	(198,797)
Special use permits	100,000	100,000	170,388	70,388
Work zone traffic permits	65,000	65,000	51,642	(13,358)
Engineering permits	11,400	11,400	6,913	(4,487)
Fire inspection fees	4,500	4,500	2,778	(1,722)
Traffic impact study and fees	101,000	101,000	57,546	(43,454)
Police permits	45,000	45,000	52,016	7,016
Fire permits	20,000	20,000	24,375	4,375
Total licenses and permits	<u>1,761,900</u>	<u>1,761,900</u>	<u>1,591,840</u>	<u>(170,060)</u>
Fines and forfeitures				
Garbage citations and leash law fees	8,000	8,000	2,325	(5,675)
Parking tickets and towing fees	28,000	28,000	16,742	(11,258)
Total fines and forfeitures	<u>36,000</u>	<u>36,000</u>	<u>19,067</u>	<u>(16,933)</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
Early Retiree Reinsurance ARRA grant	-	63,535	63,536	1
DOJ Equitable Sharing - Drug	10,000	10,000	10,191	191
FEMA - Disaster assistance	-	1,000	1,000	-
Total federal government	10,000	74,535	74,727	192
State of North Carolina				
Beer and wine tax	81,180	250,242	250,243	1
Fuel tax (Powell Bill) funds	1,350,000	1,350,000	1,364,575	14,575
State fire protection	1,210,000	1,210,000	1,210,647	647
Utility franchise tax	2,800,000	2,800,000	2,789,837	(10,163)
Video programming tax	757,000	757,000	763,030	6,030
Supplemental PEG support	50,000	50,000	64,768	14,768
Solid waste disposal tax	20,000	20,000	38,487	18,487
State library aid	36,708	36,708	35,766	(942)
State Equitable Sharing - Drug	10,000	10,000	8,655	(1,345)
Total State of North Carolina	6,314,888	6,483,950	6,526,008	42,058
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	249,000	249,000	249,333	333
Carrboro contribution	-	10,800	8,800	(2,000)
Orange project turnaround	54,000	35,000	35,000	-
Miscellaneous local grants	-	2,312	2,427	115
Total other	386,760	380,872	379,320	(1,552)
Total intergovernmental revenues	6,711,648	6,939,357	6,980,055	40,698

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 150,000	\$ 150,000	\$ 150,995	\$ 995
Library delinquent collection fees	10,500	10,500	3,060	(7,440)
Street cuts and right of way	25,000	25,000	137,909	112,909
Traffic signals	275,700	275,700	301,279	25,579
Street assessments	-	-	8,602	8,602
Rent revenue	104,640	104,640	114,809	10,169
Cemetery staking	4,250	4,250	6,465	2,215
Fire districts	394	394	1,739	1,345
Solid waste collection	340,000	340,000	348,346	8,346
Planning review	204,070	204,070	194,561	(9,509)
Turnaround client fees	30,000	30,000	19,797	(10,203)
Recreation	526,100	526,100	662,664	136,564
Charges to other funds	1,220,136	1,220,136	1,214,934	(5,202)
	<u>2,890,790</u>	<u>2,890,790</u>	<u>3,165,160</u>	<u>274,370</u>
Interest on investments	<u>60,000</u>	<u>60,000</u>	<u>37,166</u>	<u>(22,834)</u>
Other				
Sales - planning and documents	13,100	20,100	19,374	(726)
Sales - fixed assets	5,000	5,000	4,572	(428)
Sales - fuel	61,000	61,000	53,039	(7,961)
Sales - miscellaneous	3,000	3,000	4,748	1,748
Cemetery lot sales	60,900	60,900	68,950	8,050
Court fees	30,000	30,000	25,849	(4,151)
Mutual aid reimbursements	342,210	423,446	463,725	40,279
Gifts and donations	100,000	100,000	100,705	705
Revenue in lieu	-	-	89,276	89,276
Miscellaneous	10,000	18,660	163,425	144,765
	<u>625,210</u>	<u>722,106</u>	<u>993,663</u>	<u>271,557</u>
TOTAL REVENUES	<u>47,408,548</u>	<u>47,738,253</u>	<u>48,457,934</u>	<u>719,681</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 419,041	\$ 419,041	\$ 373,280	\$ 45,761
Manager/Clerk	1,689,074	1,940,835	1,672,369	268,466
Human Resources	1,308,397	1,294,808	884,868	409,940
Business Management	2,735,241	3,007,743	2,685,778	321,965
Attorney	293,945	295,461	278,496	16,965
Total general government	<u>6,445,698</u>	<u>6,957,888</u>	<u>5,894,791</u>	<u>1,063,097</u>
Environment and development				
Planning	1,244,221	1,385,760	1,204,203	181,557
Public Works	12,106,788	12,320,099	11,380,151	939,948
Total environment and development	<u>13,351,009</u>	<u>13,705,859</u>	<u>12,584,354</u>	<u>1,121,505</u>
Public safety				
Police	12,395,970	12,688,455	12,222,712	465,743
Fire	6,956,481	6,957,481	6,837,108	120,373
Total public safety	<u>19,352,451</u>	<u>19,645,936</u>	<u>19,059,820</u>	<u>586,116</u>
Leisure activities				
Parks and recreation	6,202,801	6,319,328	5,917,499	401,829
Library	2,397,235	2,419,769	2,069,296	350,473
Total leisure activities	<u>8,600,036</u>	<u>8,739,097</u>	<u>7,986,795</u>	<u>752,302</u>
Nondepartmental				
Liability insurance	450,000	450,000	395,574	54,426
Supplemental PEG expense	227,508	237,508	196,435	41,073
Contributions to agencies	815,350	837,771	824,521	13,250
Contribution to OPEB liability	400,000	1,200,000	-	1,200,000
Retiree medical insurance	815,176	878,711	848,165	30,546
General government	197,549	286,776	121,022	165,754
Total nondepartmental	<u>2,905,583</u>	<u>3,890,766</u>	<u>2,385,717</u>	<u>1,505,049</u>
Total expenditures	<u>50,654,777</u>	<u>52,939,546</u>	<u>47,911,477</u>	<u>5,028,069</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,246,229)	(5,201,293)	546,457	5,747,750
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	86,222	86,222	118,455	32,233
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer from Grants Fund	-	29,421	29,421	-
Transfer to Stormwater Fund	(5,000)	(7,000)	(5,824)	1,176
Transfer to Capital Projects Ordinance Fund	(217,000)	(252,000)	(35,000)	217,000
Transfer to Capital Improvements Fund	(1,172,800)	(1,172,800)	(1,172,800)	-
Transfer to Grants Fund	(554,423)	(741,112)	(650,050)	91,062
Appropriated fund balance	5,064,230	7,213,562	-	(7,213,562)
Total other financing sources (uses)	3,246,229	5,201,293	(1,670,798)	(6,872,091)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(1,124,341)	\$ (1,124,341)
FUND BALANCE, BEGINNING			21,552,302	
FUND BALANCE, ENDING			\$ 20,427,961	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 6,546,000	\$ 6,546,000	\$ 6,601,868	\$ 55,868
Ad valorem taxes - prior years	-	-	33,132	33,132
Intergovernmental revenues				
Federal government	-	85,676	85,677	1
Interest on investments	3,000	3,000	6,728	3,728
	<u>6,549,000</u>	<u>6,634,676</u>	<u>6,727,405</u>	<u>92,729</u>
EXPENDITURES				
Debt service:				
Principal	3,485,000	3,485,000	3,485,000	-
Interest and fiscal charges	1,641,089	2,041,089	1,996,991	44,098
Bond issuance costs	-	50,000	49,528	472
	<u>5,126,089</u>	<u>5,576,089</u>	<u>5,531,519</u>	<u>44,570</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,422,911	1,058,587	1,195,886	137,299
OTHER FINANCING SOURCES (USES)				
Premium on sale of bonds	-	-	266,583	266,583
Contribution to reserve	(1,422,911)	(1,058,587)	-	1,058,587
	<u>(1,422,911)</u>	<u>(1,058,587)</u>	<u>266,583</u>	<u>1,325,170</u>
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,462,469	\$ 1,462,469
FUND BALANCES, BEGINNING			<u>1,546,610</u>	
FUND BALANCES, ENDING			<u>\$ 3,009,079</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 2,304,039	\$ 3,002,059	\$ 22,621	\$ 3,024,680
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,739,141	311,527	755,600	1,067,127
Other Federal Grants	1,502,408	592,104	93,466	685,570
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	2,096,766	969,203	711,107	1,680,310
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	73,909	73,909	-	73,909
Orange County parks bonds	8,500,000	8,497,298	(14,778)	8,482,520
Other Grants	402,257	109,183	46,251	155,434
Charges for services	173,117	261,638	7,150	268,788
Donations	813,993	249,628	-	249,628
Revenue in lieu	66,580	129,592	-	129,592
Other	567,046	605,783	-	605,783
Total revenues	19,152,121	15,770,654	1,621,417	17,392,071
EXPENDITURES				
Parks, recreation, library and open space capital improvements	49,849,034	27,261,559	1,646,525	28,908,084
Public safety capital improvements	2,331,043	2,331,602	-	2,331,602
Public works facility	30,881,119	30,631,412	58,481	30,689,893
Municipal facilities	2,280,000	462,250	276,690	738,940
Sewer capital improvements	350,385	368,195	-	368,195
Software development	300,000	-	148,478	148,478
Street and sidewalk improvements	11,438,188	6,150,440	304,012	6,454,452
Total expenditures	97,429,769	67,205,458	2,434,186	69,639,644
DEFICIENCY OF REVENUES OVER EXPENDITURES	(78,277,648)	(51,434,804)	(812,769)	(52,247,573)

Continued

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
 FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	43,213,400	22,392,737	20,941,878	43,334,615
Proceeds from financing	29,861,733	29,861,733	-	29,861,733
Premium on debt	-	266,583	(266,583)	-
Transfer from General Fund	3,832,071	3,797,071	35,000	3,832,071
Transfer from Capital Projects Fund	673,593	670,263	(9,858)	660,405
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	454,475	454,475	-	454,475
Transfer from Stormwater Fund	127,314	127,314	-	127,314
Transfer to Capital Projects Fund	(62,404)	(62,404)	-	(62,404)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>78,277,648</u>	<u>57,662,157</u>	<u>20,700,437</u>	<u>78,362,594</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 6,227,353</u>	<u>\$ 19,887,668</u>	<u>\$ 26,115,021</u>
FUND BALANCE, BEGINNING			<u>6,227,353</u>	
FUND BALANCE, ENDING			<u>\$ 26,115,021</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal government	\$ -	\$ 75,000	\$ 19,533	(55,467)
State government	-	30,000	-	(30,000)
Other	-	352,000	112,878	(239,122)
Charges for services	10,000	10,000	13,800	3,800
Interest on investments	-	-	2,250	2,250
Franchise rental fees	55,000	55,000	54,749	(251)
Revenue in lieu	-	75,424	75,424	-
Total revenues	65,000	597,424	278,634	(318,790)
EXPENDITURES				
Capital projects:				
Municipal facilities	195,000	374,334	133,090	241,244
Street improvements and sidewalks	455,000	1,301,578	481,312	820,266
Parks, recreation and open space	379,000	538,185	295,870	242,315
Technology and communications	208,800	700,281	213,949	486,332
Total expenditures	1,237,800	2,914,378	1,124,221	1,790,157
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,172,800)	(2,316,954)	(845,587)	1,471,367
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	1,172,800	1,172,800	1,172,800	-
Transfer to Capital Projects Ordinance Fund	-	(3,330)	9,858	13,188
Transfer to Grants Fund	-	(3,000)	(2,480)	520
Appropriated fund balance	-	1,150,484	-	(1,150,484)
Total other financing sources (uses)	1,172,800	2,316,954	1,180,178	(1,136,776)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	334,591	\$ 334,591
FUND BALANCE, BEGINNING			1,657,360	
FUND BALANCE, ENDING			\$ 1,991,951	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND
 YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 780	\$ -	\$ 401	\$ 401
Total revenues	<u>780</u>	<u>-</u>	<u>401</u>	<u>401</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>780</u>	<u>-</u>	<u>401</u>	<u>401</u>
OTHER FINANCING USES				
Appropriated fund balance	<u>(780)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	401	<u>\$ 401</u>
FUND BALANCE, BEGINNING			<u>213,630</u>	
FUND BALANCE, ENDING			<u>\$ 214,031</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 10,718,106	\$ 6,380,711	\$ 564,217	\$ 6,944,928
State government	898,664	534,544	9,211	543,755
Other	436,356	271,840	67,529	339,369
Charges for services	-	19,635	3,000	22,635
Total revenues	<u>12,053,126</u>	<u>7,206,730</u>	<u>643,957</u>	<u>7,850,687</u>
EXPENDITURES				
Construction costs	2,728,242	2,086,284	2,141	2,088,425
Equipment and improvements	9,350,264	5,300,604	509,851	5,810,455
Administration	1,780,126	457,369	225,974	683,343
Total expenditures	<u>13,858,632</u>	<u>7,844,257</u>	<u>737,966</u>	<u>8,582,223</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(1,805,506)</u>	<u>(637,527)</u>	<u>(94,009)</u>	<u>(731,536)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	1,805,506	637,527	94,009	731,536
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PUBLIC HOUSING PROJECTS - CAPITAL FUND GRANTS
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2007	582,697	582,297	400	582,697
Capital Grant 2008	578,700	503,676	73,695	577,371
Capital Grant 2009	595,500	60,993	144,878	205,871
Capital Grant 2010	594,401	-	23,161	23,161
ARRA Grant 2009	732,519	166,186	562,586	728,772
ROSS Grant	248,240	238,086	-	238,086
Total federal government	3,332,057	1,551,238	804,720	2,355,958
Other revenues	16,530	6,351	1,420	7,771
 Total revenues	<u>3,348,587</u>	<u>1,557,589</u>	<u>806,140</u>	<u>2,363,729</u>
EXPENDITURES				
Environment and development	<u>3,348,587</u>	<u>1,557,589</u>	<u>806,140</u>	<u>2,363,729</u>
 NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
COMMUNITY DEVELOPMENT ENTITLEMENT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Block Grant 02	\$ 445,000	\$ 445,000	\$ -	445,000
Block Grant 03	723,000	723,000	-	723,000
Block Grant 04	711,000	711,000	-	711,000
Block Grant 05	666,392	666,392	-	666,392
Block Grant 06	598,310	598,310	-	598,310
Block Grant 07	596,282	596,282	-	596,282
Block Grant 08	574,804	574,804	-	574,804
Block Grant 09	584,379	360,517	223,862	584,379
Block Grant 10	633,405	-	465,291	465,291
ARRA Grant 09	156,110	138,856	17,152	156,008
Program income	144,719	155,843	-	155,843
Total revenues	5,833,401	4,970,004	706,305	5,676,309
EXPENDITURES				
Public improvement	1,572,382	1,427,512	16,000	1,443,512
Neighborhood revitalization	2,656,110	2,060,163	477,968	2,538,131
Homeownership opportunities	17,000	17,000	-	17,000
Administration	981,717	852,214	127,499	979,713
Community services	606,192	508,210	84,838	593,048
Total expenditures	5,833,401	4,865,099	706,305	5,571,404
NET CHANGE IN TOTAL FUND BALANCE	-	104,905	-	104,905
FUND BALANCE, BEGINNING			104,905	
FUND BALANCE, ENDING			\$ 104,905	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 16,300	\$ 43,169	\$ 855	\$ 44,024
Program income	650,799	650,800	-	650,800
Revenue in lieu	<u>633,500</u>	<u>578,500</u>	<u>430,900</u>	<u>1,009,400</u>
Total revenues	<u>1,300,599</u>	<u>1,272,469</u>	<u>431,755</u>	<u>1,704,224</u>
EXPENDITURES				
Environment and development	<u>1,450,599</u>	<u>1,081,772</u>	<u>21,970</u>	<u>1,103,742</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(150,000)</u>	<u>190,697</u>	<u>409,785</u>	<u>600,482</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 340,697</u>	<u>\$ 409,785</u>	<u>\$ 750,482</u>
FUND BALANCE, BEGINNING			<u>340,697</u>	
FUND BALANCE, ENDING			<u>\$ 750,482</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSITIONAL HOUSING FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	499	40	539
Program income	52,705	47,763	10,635	58,398
Other	5,671	891	-	891
	419,255	289,929	10,675	300,604
EXPENDITURES				
Environment and development	436,755	305,486	10,016	315,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(17,500)	(15,557)	659	(14,898)
OTHER FINANCING SOURCES				
Transfer from other funds	17,500	17,500	-	17,500
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 1,943	\$ 659	\$ 2,602
FUND BALANCE, BEGINNING			1,943	
FUND BALANCE, ENDING			\$ 2,602	

**SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - LAND TRUST FUND
 FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2011**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,650	57	1,707
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,698</u>	<u>57</u>	<u>481,755</u>
Total revenues				
EXPENDITURES				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 46,825</u>	<u>\$ 57</u>	<u>\$ 46,882</u>
FUND BALANCE, BEGINNING			<u>46,825</u>	
FUND BALANCE, ENDING			<u>\$ 46,882</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal Government	260,497	806,900	395,644	(411,256)
State Government	48,575	48,575	41,413	(7,162)
Other	1,246	50,282	29,705	(20,577)
Total revenues	<u>310,318</u>	<u>905,757</u>	<u>466,762</u>	<u>(438,995)</u>
EXPENDITURES				
Environment and development	312,538	733,401	466,775	266,626
Public safety	564,206	821,655	673,387	148,268
Leisure activities	-	8,131	6,500	1,631
Total expenditures	<u>876,744</u>	<u>1,563,187</u>	<u>1,146,662</u>	<u>416,525</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(566,426)</u>	<u>(657,430)</u>	<u>(679,900)</u>	<u>(22,470)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	566,426	629,404	672,665	43,261
Transfers to other funds	-	(29,421)	(29,421)	-
Appropriated fund balance	-	57,447	-	(57,447)
Total other financing sources (uses)	<u>566,426</u>	<u>657,430</u>	<u>643,244</u>	<u>(14,186)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(36,656)</u>	<u>\$ (36,656)</u>
FUND BALANCE, BEGINNING			<u>55,284</u>	
FUND BALANCE, ENDING			<u>\$ 18,628</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
 YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 163,300	\$ 163,300	\$ 171,421	\$ 8,121
Interest on investments	-	-	675	675
Total revenues	<u>163,300</u>	<u>163,300</u>	<u>172,096</u>	<u>8,796</u>
EXPENDITURES				
Environment and development	<u>163,300</u>	<u>183,300</u>	<u>181,188</u>	<u>2,112</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>(20,000)</u>	<u>(9,092)</u>	<u>10,908</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(9,092)</u>	<u>\$ (9,092)</u>
FUND BALANCE, BEGINNING			<u>28,948</u>	
FUND BALANCE, ENDING			<u>\$ 19,856</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - HOUSING LOAN TRUST FUND
 YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 300	\$ 300	\$ 10	\$ (290)
Total revenues	300	300	10	(290)
EXPENDITURES				
Environment and development	1,260	1,260	-	1,260
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(960)	(960)	10	970
OTHER FINANCING SOURCES				
Appropriated fund balance	960	960	-	(960)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	10	\$ 10
FUND BALANCE, BEGINNING			5,765	
FUND BALANCE, ENDING			\$ 5,775	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 521	\$ 521
Library donations	76,000	76,000	99,728	23,728
Total revenues	76,000	76,000	100,249	24,249
EXPENDITURES				
Leisure activities	24,400	117,400	58,155	59,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,600	(41,400)	42,094	83,494
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(45,000)	(45,000)	(45,000)	-
Contribution to reserve	(6,600)	-	-	-
Appropriated fund balance	-	86,400	-	(86,400)
Total other financing sources (uses)	(51,600)	41,400	(45,000)	(86,400)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(2,906)	\$ (2,906)
FUND BALANCE, BEGINNING			258,661	
FUND BALANCE, ENDING			\$ 255,755	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 719,754	\$ 719,754	\$ 673,269	\$ (46,485)
OPERATING EXPENSES				
Personnel	11,587,137	11,268,496	11,514,302	(245,806)
Fuel and tires	2,006,663	1,922,614	1,704,167	218,447
Indirect costs	1,038,420	1,038,420	1,042,975	(4,555)
Maintenance and repairs	82,675	82,578	49,478	33,100
Building maintenance	498,465	493,424	359,510	133,914
Vehicle maintenance	1,113,445	1,746,779	1,531,212	215,567
Insurance	406,482	406,482	329,509	76,973
Marketing	111,872	37,793	28,908	8,885
Tarheel Express	90,079	90,079	31,390	58,689
Uniforms and supplies	133,738	132,913	90,203	42,710
Other	344,501	384,366	299,372	84,994
Total operating expenses	17,413,477	17,603,944	16,981,026	622,918
OPERATING LOSS	(16,693,723)	(16,884,190)	(16,307,757)	576,433
NONOPERATING REVENUES				
Federal Operating Assistance Grant	2,225,000	2,362,384	2,308,286	(54,098)
State Operating Assistance Grant	3,319,737	3,671,170	3,671,170	-
Operating assistance-UNC Chapel Hill	5,930,168	5,930,168	5,930,168	-
Operating assistance-Town of Carrboro	1,032,825	1,032,825	1,032,825	-
Vehicle licenses	415,000	415,000	423,163	8,163
Ad valorem taxes	2,886,000	2,886,000	2,929,657	43,657
Interest on investments	10,000	10,000	12,273	2,273
Insurance recovery	-	85,608	86,608	1,000
Capital outlay	-	(9,800)	(8,949)	851
Proceeds from sale of fixed assets	10,000	10,000	17,717	7,717
Revenue in lieu	-	-	41,300	41,300
Appropriated fund balance	1,062,999	1,093,774	-	(1,093,774)
Total nonoperating revenues	16,891,729	17,487,129	16,444,218	(1,042,911)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	198,006	602,939	136,461	(466,478)
CAPITAL CONTRIBUTIONS	-	-	180,119	180,119

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	-	351,433	392,933	41,500
Transfers out	<u>(198,006)</u>	<u>(954,372)</u>	<u>(507,077)</u>	<u>447,295</u>
Total transfers	<u>(198,006)</u>	<u>(602,939)</u>	<u>(114,144)</u>	<u>488,795</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	202,436	<u>\$ 202,436</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			8,949	
Depreciation and amortization			<u>(3,964,375)</u>	
Change in Net Assets			<u>\$ (3,752,990)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,858,830	\$ 1,858,830	\$ 1,879,797	\$ 20,967
OPERATING EXPENSES				
Personnel	770,901	771,257	773,402	(2,145)
Maintenance and repairs	163,520	40,429	48,460	(8,031)
Credit card fees	21,500	29,132	28,182	950
Lot rent	50,000	83,522	83,522	-
Indirect costs	74,321	74,983	74,152	831
Other	228,793	286,773	197,031	89,742
Total operating expenses	1,309,035	1,286,096	1,204,749	81,347
OPERATING INCOME	549,795	572,734	675,048	102,314
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	54,500	54,500	6,166	(48,334)
Debt service	(458,525)	(458,525)	(458,525)	-
Bond issuance expense	-	-	(17,000)	(17,000)
Capital outlay	(169,000)	(1,024,839)	(699,669)	325,170
Appropriated fund balance	109,452	942,352	-	(942,352)
Total nonoperating revenues (expenses), net	(463,573)	(486,512)	(1,169,028)	(682,516)
INCOME (LOSS) BEFORE TRANSFERS	86,222	86,222	(493,980)	(580,202)
TRANSFERS				
Transfers out	(86,222)	(86,222)	(118,455)	(32,233)
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(612,435)	\$ (612,435)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			699,669	
Debt principal retirement			280,000	
Depreciation and amortization			(402,506)	
Change in Net Assets			\$ (35,272)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 382,900	\$ 382,900	\$ 507,305	\$ 124,405
OPERATING EXPENSES				
Personnel	914,314	924,557	818,785	105,772
Maintenance and repairs	361,851	391,142	341,287	49,855
Utilities	141,140	144,228	156,334	(12,106)
Other	256,435	249,307	144,472	104,835
Total operating expenses	1,673,740	1,709,234	1,460,878	248,356
OPERATING LOSS	(1,290,840)	(1,326,334)	(953,573)	372,761
NONOPERATING REVENUES				
Federal Operating Assistance Grant	1,287,040	1,287,040	1,559,586	272,546
Interest on investments	3,800	3,800	4,363	563
Insurance recovery	-	27,041	27,041	-
Appropriated fund balance	-	8,453	-	(8,453)
Total nonoperating revenues	1,290,840	1,326,334	1,590,990	264,656
INCOME BEFORE CAPITAL CONTRIBUTIONS	-	-	637,417	637,417
CAPITAL CONTRIBUTIONS	-	-	19,877	19,877
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	657,294	\$ 657,294
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(521,266)	
Change in Net Assets			\$ 136,028	

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 2,552,072	\$ -	2,552,072
112	Cash - restricted - modernization and development	-	38,914	38,914
114	Cash - tenant security deposits	60,675	-	60,675
100	Total cash	2,612,747	38,914	2,651,661
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	2,605	-	2,605
126	Accounts receivable - tenants - dwelling rents	42,925	-	42,925
126.1	Allowance for doubtful accounts - dwelling rents	(22,500)	-	(22,500)
120	Total receivables, net allowances for uncollectibles	23,030	-	23,030
Current investments:				
143	Inventories	178,564	-	178,564
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total current investments	177,103	-	177,103
150	TOTAL CURRENT ASSETS	2,812,880	38,914	2,851,794
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	2,025,035	-	2,025,035
162	Building	19,416,400	-	19,416,400
164	Furniture, Equipment, & Machinery -Administration	565,054	-	565,054
166	Accumulated depreciation	(12,904,774)	-	(12,904,774)
160	Total fixed assets, net of accumulated depreciation	9,101,715	-	9,101,715
180	TOTAL NONCURRENT ASSETS	9,101,715	-	9,101,715
190	TOTAL ASSETS	\$ 11,914,595	\$ 38,914	\$ 11,953,509
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 57,967	\$ 38,914	96,881
321	Accrued wage/payroll taxes payable	46,691	-	46,691
322	Accrued compensated absences - current portion	61,076	-	61,076
341	Tenant security deposits	60,120	-	60,120
310	TOTAL CURRENT LIABILITIES	225,854	38,914	264,768
354	Accrued compensated absences - non-current portion	166,345	-	166,345
350	TOTAL NON-CURRENT LIABILITIES	166,345	-	166,345
300	TOTAL LIABILITIES	392,199	38,914	431,113
EQUITY:				
508	Investment in general fixed assets	9,101,715	-	9,101,715
512	Undesignated fund balance/retained earnings	2,420,681	-	2,420,681
513	TOTAL EQUITY	11,522,396	-	11,522,396
600	TOTAL LIABILITIES AND EQUITY	\$ 11,914,595	\$ 38,914	\$ 11,953,509

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 506,980	\$ -	\$ 506,980
705	Total tenant revenue	506,980	-	506,980
Other revenues:				
706	HUD PHA grants	1,559,586	-	1,559,586
706.1	Capital Grants	-	804,721	804,721
711	Investment income - unrestricted	4,363	-	4,363
715	Other revenue	27,366	1,419	28,785
	Total other revenue	1,591,315	806,140	2,397,455
700	TOTAL REVENUE	2,098,295	806,140	2,904,435
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	172,556		172,556
912	Auditing fees	-		-
915	Compensated Absences	(3,421)		(3,421)
915	Employee benefit contributions - administrative	115,921		115,921
919	Other operating - administrative	72,163	-	72,163
Tenant services:				
924	Tenant services-other	4,382		4,382
Utilities:				
931	Water	119,505	-	119,505
932	Electricity	30,780	-	30,780
933	Gas	6,049	-	6,049
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	393,173	-	393,173
942	Ordinary maintenance and operations - materials	108,710		108,710
943	Ordinary maintenance and operations - contract costs	209,790	-	209,790
945	Employee benefit contributions - ordinary maintenance	140,556	-	140,556
General expenses:				
961	Insurance premiums	54,889	-	54,889
962	Other general expenses	557	-	557
964	Bad debt - tenant rents	12,481	-	12,481
969	TOTAL OPERATING EXPENSES	1,438,091	-	1,438,091
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	660,204	806,140	1,466,344
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	22,787	806,140	828,927
974	Depreciation Expense	521,266	-	521,266
900	TOTAL EXPENSES	1,982,144	806,140	2,788,284
1003	Operating transfers from/to Primary Government	-	-	-
1000	EXCESS OF REVENUE OVER EXPENDITURES	116,151	-	116,151
1104	Capital Outlays Enterprise Fund	19,877	-	19,877
1103	BEGINNING EQUITY	11,386,368	-	11,386,368
	ENDING EQUITY	\$ 11,522,396	\$ -	\$ 11,522,396

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,695,000	\$ 1,693,000	\$ 1,841,152	\$ 148,152
OPERATING EXPENSES				
Personnel	1,078,516	1,080,516	1,052,919	27,597
Drainage maintenance	270,236	278,434	264,539	13,895
Indirect costs	101,155	101,155	97,807	3,348
Professional services	158,000	393,985	96,225	297,760
Office rent	53,246	53,246	51,792	1,454
Other	232,366	227,383	164,477	62,906
Total operating expenses	1,893,519	2,134,719	1,727,759	406,960
OPERATING INCOME (LOSS)	(198,519)	(441,719)	113,393	555,112
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	5,000	5,000	2,609	(2,391)
Capital outlay	(175,000)	(300,824)	(183,661)	117,163
Appropriated fund balance	363,519	730,543	-	(730,543)
Total nonoperating revenues (expenses), net	193,519	434,719	(181,052)	(615,771)
LOSS BEFORE TRANSFERS	(5,000)	(7,000)	(67,659)	(60,659)
TRANSFERS				
Transfers in	5,000	7,000	5,824	(1,176)
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(61,835)	\$ (61,835)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			183,661	
Depreciation and amortization			(11,480)	
Change in Net Assets			\$ 110,346	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,650,000	\$ 1,650,000	\$ 1,650,000	\$ -
OPERATING EXPENSES				
Operations	25,000	28,600	19,326	9,274
OPERATING INCOME	1,625,000	1,621,400	1,630,674	9,274
NONOPERATING REVENUES (EXPENSES)				
Clean Fuels Grant	-	35,260	35,260	-
Alternative Fuels Grant	-	22,252	-	(22,252)
Interest on investments	-	-	6,036	6,036
Capital outlay	(1,600,000)	(2,532,662)	(1,545,418)	987,244
Debt service	(1,240,000)	(1,240,000)	(1,237,877)	2,123
Proceeds from sale of capital assets	100,000	100,000	121,871	21,871
Issuance of installment notes	1,600,000	1,600,000	1,600,000	-
Contribution to reserve	(485,000)	(485,000)	-	485,000
Appropriated fund balance	-	878,750	-	(878,750)
Total nonoperating revenues (expenses), net	(1,625,000)	(1,621,400)	(1,020,128)	601,272
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	610,546	\$ 610,546
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,190,716)	
Capital outlay			1,545,418	
Debt service principal			1,096,934	
Proceeds from installment notes			(1,600,000)	
Change in net assets			\$ 462,182	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,125,805	\$ 1,125,805	\$ 1,171,190	\$ 45,385
OPERATING EXPENSES				
Personnel	654,181	653,731	603,675	50,056
Operations	494,350	494,800	456,466	38,334
Total operating expenses	1,148,531	1,148,531	1,060,141	88,390
OPERATING INCOME (LOSS)	(22,726)	(22,726)	111,049	133,775
NONOPERATING REVENUES				
Insurance recovery	20,000	20,000	16,364	(3,636)
Interest on investments	-	-	34	34
Appropriated fund balance	2,726	2,726	-	(2,726)
Total nonoperating revenues	22,726	22,726	16,398	(6,328)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	\$ 127,447	\$ 127,447
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,165)	
Change in net assets			\$ 126,282	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 150,000	\$ 150,000	\$ 150,025	\$ 25
OPERATING EXPENSES				
Operations	250,000	251,471	135,403	116,068
OPERATING INCOME (LOSS)	(100,000)	(101,471)	14,622	116,093
NONOPERATING REVENUES				
Interest on investments	-	-	836	836
Proceeds from sale of capital assets	-	-	1,085	1,085
Appropriated fund balance	100,000	101,471	-	(101,471)
Total nonoperating revenues	100,000	101,471	1,921	(99,550)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	16,543	\$ 16,543
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(2,179)	
Change in net assets			\$ 14,364	

TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2011

Fiscal Year	Uncollected Balance 07/01/10	Additions	Collections and Credits	Uncollected Balance 06/30/11
2010-2011	\$ -	\$ 35,604,158 a	\$ 35,284,111 b	\$ 320,047 c
2009-2010	208,977	-	163,514	45,463
2008-2009	39,045	-	16,797	22,248
2008-prior	<u>391,718</u>	-	<u>11,687</u>	<u>380,031</u>
	\$ 639,740	Total Collections	35,476,109	767,789
		Orange Co. Credits	<u>222,484</u>	<u>222,484</u>
			<u>\$ 35,698,593</u>	<u>\$ 545,305</u>
Add: vehicle fees				220,018
Less: allowance for uncollectible accounts				<u>278,914</u>
Ad valorem taxes receivable-net				<u>\$ 486,409</u>
Reconciliation with revenues:				
Ad Valorem taxes				\$ 35,698,593
Reconciling items				
Interest collected				66,292
Total collections				<u>\$ 35,764,885</u>

*Note: The Town's taxes are collected by Orange and Durham Counties. The Orange County Tax Department implemented a new tax collection system in fiscal 2010/2011. In the process of transferring data to the new system, old receivable accounts were written off.

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2011

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property	\$ 7,173,122,136	0.494	35,435,222	\$ 33,931,957	\$ 1,503,265
Downtown Service District	237,937,254	0.071	168,936	167,781	1,155
Total property valuation	<u>\$ 7,411,059,390</u>		<u>35,604,158</u> a	<u>34,099,738</u>	<u>1,504,420</u>
Uncollected taxes at June 30, 2011			<u>320,047</u> c	<u>151,053</u>	<u>168,994</u>
Current year's taxes collected			<u>35,284,111</u> b	<u>33,948,685</u>	<u>1,335,426</u>
Current levy collection percentage			<u>99.10%</u>	<u>99.56%</u>	<u>88.77%</u>

STATISTICAL SECTION

This part of the 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.

Financial Trends (Tables 1-4) - These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity (Tables 5-9) - These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.

Debt Capacity (Tables 10-13) - These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information (Tables 14-15) - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.

Operating Information (Tables 16-18) - These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Town of Chapel Hill
Net Assets by Component,
Last Seven Fiscal Years
(accrual basis of accounting)

Table I

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Governmental activities							
Invested in capital assets, net of related debt	\$ 53,543,531	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330	\$ 61,447,706	\$ 65,504,936	\$ 77,405,641
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361
Unrestricted	<u>15,075,313</u>	<u>19,554,289</u>	<u>23,279,530</u>	<u>24,337,458</u>	<u>35,270,865</u>	<u>23,907,746</u>	<u>12,887,944</u>
Total governmental activities net assets	\$ <u>74,193,467</u>	\$ <u>76,657,648</u>	\$ <u>84,486,258</u>	\$ <u>94,982,354</u>	\$ <u>98,197,260</u>	\$ <u>99,631,472</u>	\$ <u>101,392,946</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462	\$ 48,230,110
Unrestricted	<u>5,267,602</u>	<u>8,403,465</u>	<u>8,036,693</u>	<u>9,767,773</u>	<u>10,915,522</u>	<u>12,777,277</u>	<u>12,762,741</u>
Total business-type activities net assets	\$ <u>19,155,638</u>	\$ <u>39,565,909</u>	\$ <u>47,883,552</u>	\$ <u>56,905,278</u>	\$ <u>60,928,891</u>	\$ <u>64,534,739</u>	\$ <u>60,992,851</u>
Primary government							
Invested in capital assets, net of related debt	\$ 67,431,567	\$ 86,969,311	\$ 99,836,188	\$ 116,120,835	\$ 111,461,075	\$ 117,262,398	\$ 125,635,751
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361
Unrestricted	<u>20,342,915</u>	<u>27,957,754</u>	<u>31,316,223</u>	<u>34,105,231</u>	<u>46,186,387</u>	<u>36,685,023</u>	<u>25,650,685</u>
Total primary government net assets	\$ <u>93,349,105</u>	\$ <u>116,223,557</u>	\$ <u>132,369,810</u>	\$ <u>151,887,632</u>	\$ <u>159,126,151</u>	\$ <u>164,166,211</u>	\$ <u>162,385,797</u>
Component unit							
Invested in capital assets, net of related debt	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716	\$ 190,756,445
Restricted	19,114,903	1,925,585	9,405,757	1,322,469	1,232,718	1,253,614	98,616
Unrestricted	<u>7,373,853</u>	<u>6,611,972</u>	<u>6,453,532</u>	<u>5,993,719</u>	<u>15,140,975</u>	<u>21,113,133</u>	<u>26,865,314</u>
Total component unit net assets	\$ <u>163,930,077</u>	\$ <u>169,351,312</u>	\$ <u>177,671,404</u>	\$ <u>184,603,565</u>	\$ <u>200,839,735</u>	\$ <u>210,473,463</u>	\$ <u>217,720,375</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Town of Chapel Hill
Changes in Net Assets,
Last Seven Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Governmental activities:							
Expenses							
General government	\$ 4,113,954	\$ 4,327,313	\$ 5,780,346	\$ 6,528,356	\$ 7,750,437	\$ 7,447,434	\$ 8,672,259
Environment and development	16,536,622	21,954,945	25,719,997	29,260,757	24,840,378	22,960,472	18,613,025
Public safety	15,501,769	17,003,191	17,844,886	18,593,745	19,536,555	19,932,175	20,363,725
Leisure activities	4,694,967	4,947,783	4,977,126	5,649,567	8,668,206	9,685,124	9,725,448
Nondepartmental	1,324,805	1,475,398	-	-	-	-	-
Interest	884,070	887,200	2,008,005	2,210,521	1,969,585	1,991,035	2,046,519
Total expenses	43,056,187	50,595,830	56,330,360	62,242,946	62,765,161	62,016,240	59,420,976
Program Revenues							
Charges for services:							
General government	\$ 607,385	\$ 564,548	\$ 2,538,610	\$ 1,642,521	\$ 1,670,604	\$ 1,741,760	\$ 1,774,913
Environment and development	3,607,851	3,225,722	1,147,843	3,167,844	3,059,049	2,098,051	2,020,263
Public safety	70,046	65,244	76,287	99,946	110,137	130,338	117,747
Leisure activities	603,228	655,976	642,478	587,957	786,346	905,626	952,478
Operating grants and contributions:							
General government	-	-	-	-	-	-	63,536
Environment and development	5,973,016	13,255,667	3,347,410	3,496,677	2,516,767	2,317,442	2,357,451
Public safety	1,183,619	2,190,476	1,318,224	1,700,774	1,691,179	1,842,949	1,452,984
Leisure activities	747,380	333,346	291,129	377,861	384,824	375,738	372,786
Capital grants and contributions:							
Environment and development	-	913,613	9,154,416	16,641,248	8,331,927	6,797,577	3,169,734
Leisure activities	-	-	-	-	-	-	85,677
Total program revenues	12,792,525	21,204,592	18,516,397	27,714,828	18,550,833	16,209,481	12,367,569
Total governmental activities net program expense	\$ (30,263,662)	\$ (29,391,238)	\$ (37,813,963)	\$ (34,528,118)	\$ (44,214,328)	\$ (45,806,759)	\$ (47,053,407)
General revenues and other changes in net assets							
Property taxes	\$ 23,081,521	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703	\$ 31,162,920	\$ 32,171,735	\$ 32,612,118
Sales tax	8,456,040	9,138,060	9,594,569	9,758,126	9,033,512	8,765,035	8,941,463
Occupancy tax	675,295	783,509	991,081	985,069	891,857	806,686	872,115
Other taxes	539,733	582,638	368,073	141,157	112,700	41,173	51,708
Grants and contributions not restricted	2,478,791	2,559,529	2,935,113	3,537,017	3,831,599	3,708,032	3,906,365
Investment earnings	442,649	1,689,568	1,670,377	1,112,630	261,025	88,220	71,324
Miscellaneous	1,147,972	1,695,701	1,361,301	1,476,357	1,191,127	1,293,759	2,133,013
Proceeds from financing	-	-	-	-	-	-	-
Transfers	991,713	586,538	2,619,973	230,155	944,494	366,331	226,775
Total general revenues and other changes in net assets	37,813,714	42,302,790	45,642,573	45,024,214	47,429,234	47,240,971	48,814,881
Total governmental activities changes in net assets	\$ 7,550,052	\$ 12,911,552	\$ 7,828,610	\$ 10,496,096	\$ 3,214,906	\$ 1,434,212	\$ 1,761,474

Continued

Town of Chapel Hill
Changes in Net Assets,
Last Seven Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Business-type activities:							
Expenses							
Transportation	\$ 12,457,941	\$ 13,280,263	\$ 14,881,026	\$ 16,215,262	\$ 18,366,495	\$ 19,829,286	\$ 20,945,401
Parking	1,614,306	1,590,227	1,585,035	1,612,632	1,736,772	1,776,168	1,785,780
Housing	-	1,119,963	1,209,350	2,203,200	2,276,917	2,057,066	1,982,144
Stormwater	1,065,666	2,257,924	2,263,074	1,391,604	1,635,510	1,618,926	1,739,239
Total expenses	<u>15,137,913</u>	<u>18,248,377</u>	<u>19,938,485</u>	<u>21,422,698</u>	<u>24,015,694</u>	<u>25,281,446</u>	<u>26,452,564</u>
Program Revenues							
Charges for services:							
Transportation	\$ 549,673	\$ 608,420	\$ 694,445	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432
Parking	1,933,579	2,080,546	2,138,673	2,102,350	2,043,999	1,921,724	1,879,797
Housing	-	1,651,616	417,725	453,821	415,568	402,701	507,305
Stormwater	1,708,292	379,582	1,741,379	1,711,271	1,740,119	1,768,208	1,841,152
Operating grants and contributions:							
Transportation	9,551,828	9,859,005	10,609,529	11,592,845	12,915,589	13,909,345	12,942,449
Housing	-	1,040,017	1,080,526	1,155,687	1,371,614	1,491,477	1,559,586
Stormwater	-	-	-	-	15,295	-	-
Capital grants and contributions:							
Transportation	1,217,846	10,320,462	11,150,111	9,927,751	6,845,483	5,665,439	180,119
Housing	-	-	-	-	-	-	19,877
Total program revenues	<u>14,961,218</u>	<u>25,939,648</u>	<u>27,832,388</u>	<u>27,556,632</u>	<u>26,082,809</u>	<u>26,287,922</u>	<u>20,026,717</u>
Total business-type activities net program expense	\$ <u>(176,695)</u>	\$ <u>7,691,271</u>	\$ <u>7,893,903</u>	\$ <u>6,133,934</u>	\$ <u>2,067,115</u>	\$ <u>1,006,476</u>	\$ <u>(6,425,847)</u>
General revenues and other changes in net assets							
Property taxes	\$ 2,623,385	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787	\$ 2,801,353	\$ 2,890,870	\$ 2,929,657
Investment earnings	97,458	281,467	426,554	270,583	66,369	36,054	25,411
Miscellaneous	-	28,786	(6,567)	52,577	33,270	38,779	155,666
Transfers	(991,713)	(586,538)	(2,619,973)	(230,155)	(944,494)	(366,331)	(226,775)
Total general revenues and other changes in net assets	<u>1,729,130</u>	<u>2,271,629</u>	<u>423,740</u>	<u>2,887,792</u>	<u>1,956,498</u>	<u>2,599,372</u>	<u>2,883,959</u>
Total business-type activities changes in net assets	\$ <u>1,552,435</u>	\$ <u>9,962,900</u>	\$ <u>8,317,643</u>	\$ <u>9,021,726</u>	\$ <u>4,023,613</u>	\$ <u>3,605,848</u>	\$ <u>(3,541,888)</u>
Total primary government changes in net assets	\$ <u>9,102,487</u>	\$ <u>22,874,452</u>	\$ <u>16,146,253</u>	\$ <u>19,517,822</u>	\$ <u>7,238,519</u>	\$ <u>5,040,060</u>	\$ <u>(1,780,414)</u>

Continued

Town of Chapel Hill
Changes in Net Assets,
Last Seven Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Component unit activities:							
Expenses	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597	\$ 31,840,832	\$ 31,840,832
Program Revenues							
Charges for services	21,891,667	24,431,382	25,411,160	28,794,093	29,537,290	36,003,830	36,003,830
Capital grants and contributions	<u>2,566,129</u>	<u>3,459,835</u>	<u>7,425,786</u>	<u>3,316,663</u>	<u>14,493,988</u>	<u>1,269,560</u>	<u>1,269,560</u>
Total component unit revenues	<u>24,457,796</u>	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>	<u>44,031,278</u>	<u>37,273,390</u>	<u>37,273,390</u>
Total component unit net (expense)/revenue	<u>\$ 315,079</u>	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>	<u>\$ 5,432,558</u>	<u>\$ 5,432,558</u>
General revenues and other changes in net assets							
Investment earnings	821,194	742,010	-	584,031	1,785,093	29,261	29,261
Miscellaneous	<u>1,872,820</u>	<u>2,308,651</u>	<u>-</u>	<u>1,998,280</u>	<u>-</u>	<u>1,785,093</u>	<u>1,785,093</u>
Total general revenues and other changes in net assets	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>1,785,093</u>	<u>1,814,354</u>	<u>1,814,354</u>
Total component unit activities changes in net assets	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 15,436,774</u>	<u>\$ 7,246,912</u>	<u>\$ 7,246,912</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Town of Chapel Hill
Fund Balances, Governmental Funds
Last Two Fiscal Years
post-GASB 54
(modified accrual basis of accounting)

Table 3a

	Fiscal Year	
	<u>2010</u>	<u>2011</u>
General Fund		
Nonspendable		
Inventories	3,376	3,285
Prepaid expenses	1,012	4,702
Restricted		
Stabilization by State Statute	5,838,176	5,074,720
Employee appreciation	101,136	99,559
Parks capital projects	-	75,332
Streets capital projects	187,815	143,520
Public safety	256,141	165,278
Library	16,459	-
Assigned		
Subsequent years' expenditures	5,064,230	1,121,605
Other post employment benefits	-	400,000
Comprehensive plan	157,874	103,291
Unassigned	<u>9,926,083</u>	<u>13,236,669</u>
Total General Fund	<u>\$ 21,552,302</u>	<u>\$ 20,427,961</u>
All Other Governmental Funds		
Nonspendable		
Inventories	16,538	16,538
Prepaid expenses	153	-
Restricted		
Stabilization by State Statute	672,532	4,889,823
Parks capital projects	1,360,140	4,953,598
Streets capital projects	2,024,909	4,384,746
Municipal buildings projects	782,318	-
Public housing	104,905	755,136
Public safety	55,284	18,628
Library	1,452,361	15,791,379
Committed		
Debt service payments	1,546,092	3,009,079
Infrastructure capital projects	244,167	214,031
Public housing	377,579	787,943
Economic development	38,118	19,856
Assigned		
Subsequent year's expenditures	960	123,660
Parks capital projects	262,938	-
Streets capital projects	518,091	292,169
Municipal buildings projects	228,558	593,266
Technology projects	447,842	-
Comprehensive plan	354,496	-
Unassigned	-	(3,314,885)
Total other governmental funds	<u>\$ 10,487,981</u>	<u>\$ 32,534,967</u>

Town of Chapel Hill
Fund Balances, Governmental Funds
Last Nine Fiscal Years
(pre-GASB 54 implementation)
(modified accrual basis of accounting)

Table 3b

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved for:								
State statute	\$ 2,576,308	\$ 2,959,369	\$ 3,251,528	\$ 3,250,131	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811
Encumbrances	626,161	1,045,892	858,238	1,209,013	1,297,402	1,272,671	1,524,640	1,079,576
Inventories	10,246	10,246	2,209	1,472	1,928	2,728	2,470	2,599
Capital improvements	298,986	440,775	427,112	531,342	381,258	231,128	353,915	364,815
Prepaid items	-	-	-	-	-	-	355,140	-
Other	100,000	100,000	100,000	204,917	212,620	323,997	332,888	321,798
Total reserved	<u>3,611,701</u>	<u>4,556,282</u>	<u>4,639,087</u>	<u>5,196,875</u>	<u>5,805,272</u>	<u>7,060,538</u>	<u>9,378,441</u>	<u>6,468,599</u>
Unreserved:								
Designated for subsequent year's expenditures	1,070,000	1,290,306	1,499,000	1,514,993	1,879,000	4,315,000	2,743,874	3,134,373
Undesignated	<u>4,315,631</u>	<u>5,643,519</u>	<u>5,634,550</u>	<u>8,263,350</u>	<u>9,911,161</u>	<u>6,515,807</u>	<u>7,773,811</u>	<u>11,690,555</u>
Total General Fund	<u>\$ 8,997,332</u>	<u>\$ 11,490,107</u>	<u>\$ 11,772,637</u>	<u>\$ 14,975,218</u>	<u>\$ 17,595,433</u>	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>
All Other Governmental Funds								
Reserved for:								
Capital improvements	\$ 1,481,350	\$ 5,105,823	\$ 2,075,756	\$ 30,287,235	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692
State Statute	203,732	28,528	1,112,771	814,273	2,069,240	2,058,864	272,580	325,537
Encumbrances	48,556	154,482	50,203	656,035	1,111,691	871,343	408,663	373,427
Inventories	137,643	146,058	170,443	157,223	-	-	16,538	16,538
Interest subsidies	-	-	387,872	293,649	68,108	129,523	-	-
Other	-	-	253,860	236,952	394,878	435,030	1,153,789	467,125
Debt service	1,095	171,968	176,247	455,089	635,619	641,042	-	1,043,175
Total reserved	<u>1,872,376</u>	<u>5,606,859</u>	<u>4,227,152</u>	<u>32,900,456</u>	<u>22,052,312</u>	<u>18,204,521</u>	<u>9,026,979</u>	<u>8,708,494</u>
Unreserved, reported in:								
Special revenue funds	691,085	1,046,524	232,698	688,286	133,262	39,047	608,640	381,005
Capital projects funds	<u>974,784</u>	<u>735,184</u>	<u>359,586</u>	<u>(279,758)</u>	<u>(1,458,927)</u>	<u>(1,669,821)</u>	<u>1,978,767</u>	<u>2,190,234</u>
Total all other governmental funds	<u>\$ 3,538,245</u>	<u>\$ 7,388,567</u>	<u>\$ 4,819,436</u>	<u>\$ 33,308,984</u>	<u>\$ 20,726,647</u>	<u>\$ 16,573,747</u>	<u>\$ 11,614,386</u>	<u>\$ 11,279,733</u>

Town of Chapel Hill
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Taxes	\$ 26,193,450	\$ 29,251,469	\$ 30,430,218	\$ 32,782,589
Intergovernmental	14,962,684	10,823,095	8,866,342	10,382,806
Charges for services	1,706,496	1,984,469	2,075,005	2,822,100
Licenses and permits	1,432,195	1,519,274	1,551,622	1,512,168
Interest	439,531	187,590	192,595	442,649
Other	1,250,786	1,621,026	1,822,410	1,702,214
Total Revenues	<u>45,985,142</u>	<u>45,386,923</u>	<u>44,938,192</u>	<u>49,644,526</u>
Expenditures				
General government	3,085,314	3,297,515	3,517,651	3,763,510
Environment and development	22,793,279	17,969,896	17,360,844	18,965,051
Public safety	13,394,643	13,859,523	14,976,104	15,342,852
Leisure activities	3,751,287	3,822,370	4,081,517	4,118,714
Nondepartmental	1,075,234	823,903	962,489	1,324,805
Capital projects	3,413,124	3,454,036	5,516,543	4,672,085
Debt Service:				
Principal	1,490,000	1,560,000	1,670,000	1,675,000
Interest	932,731	782,855	880,610	884,070
Bond issuance costs	-	-	-	-
Total Expenditures	<u>49,935,612</u>	<u>45,570,098</u>	<u>48,965,758</u>	<u>50,746,087</u>
Excess of revenues over (under) expenditures	<u>(3,950,470)</u>	<u>(183,175)</u>	<u>(4,027,566)</u>	<u>(1,101,561)</u>
Other Financing Sources (Uses)				
Transfers in	3,738,558	5,005,819	4,246,839	4,981,814
Transfers out	(2,447,875)	(3,902,127)	(3,900,675)	(3,990,101)
Proceeds from bonds	-	4,250,000	-	30,000,000
Premium on debt	-	-	-	-
Proceeds from installment notes	1,471,600	-	1,395,000	966,733
Total other financing sources (uses)	<u>2,762,283</u>	<u>5,353,692</u>	<u>1,741,164</u>	<u>31,958,446</u>
Net change in fund balances	<u>\$ (1,188,187)</u>	<u>\$ 5,170,517</u>	<u>\$ (2,286,402)</u>	<u>\$ 30,856,885</u>
Debt service as a percentage of non capital expenditures	5.21%	5.56%	5.87%	5.55%

Table 4

		Fiscal Year									
		2006	2007	2008	2009	2010	2011				
\$	35,771,454	\$	37,055,809	\$	38,668,055	\$	41,200,989	\$	41,784,629	\$	42,477,404
	19,252,631		17,046,292		25,753,577		16,756,296		15,041,738		11,408,533
	2,617,171		2,503,992		2,826,213		3,216,330		2,832,317		3,189,110
	1,652,945		1,590,653		1,721,627		2,200,422		1,765,769		1,591,840
	1,689,568		1,670,377		1,112,630		261,025		88,220		71,324
	1,937,075		1,654,137		2,426,785		1,400,511		1,304,865		1,685,586
	<u>62,920,844</u>		<u>61,521,260</u>		<u>72,508,887</u>		<u>65,035,573</u>		<u>62,817,538</u>		<u>60,423,797</u>
	4,079,736		5,634,423		6,190,609		7,272,596		7,337,428		8,280,508
	25,761,076		27,478,666		25,779,963		21,590,608		20,858,543		13,970,608
	16,900,363		17,666,485		18,567,074		18,686,914		19,082,389		19,733,207
	4,282,116		4,224,267		4,897,425		7,398,605		8,038,538		8,051,450
	1,475,398		-		-		-		-		-
	16,676,455		15,964,112		14,012,030		3,836,343		2,778,610		5,102,513
	2,180,000		3,090,000		4,015,000		4,000,000		8,520,000		3,485,000
	887,200		2,008,005		2,210,521		1,969,585		1,991,035		1,996,991
	-		-		-		-		-		49,528
	<u>72,242,344</u>		<u>76,065,958</u>		<u>75,672,622</u>		<u>64,754,651</u>		<u>68,606,543</u>		<u>60,669,805</u>
	(9,321,500)		(14,544,698)		(3,163,735)		280,922		(5,789,005)		(246,008)
	7,450,039		17,737		8,473,343		2,573,984		2,047,910		2,157,492
	(6,863,501)		10,878,467		(8,264,188)		(1,792,158)		(1,548,465)		(1,930,717)
	-		4,967,737		-		-		4,490,000		20,941,878
	-		-		-		-		266,583		-
	-		3,100,000		-		-		-		-
	<u>586,538</u>		<u>18,963,941</u>		<u>209,155</u>		<u>781,826</u>		<u>5,256,028</u>		<u>21,168,653</u>
\$	<u>(8,734,962)</u>	\$	<u>4,419,243</u>	\$	<u>(2,954,580)</u>	\$	<u>1,062,748</u>	\$	<u>(532,977)</u>	\$	<u>20,922,645</u>
	5.52%		8.48%		10.10%		9.80%		15.97%		9.87%

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Town of Chapel Hill
Governmental Funds Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 5

<u>Fiscal Year</u>	<u>Property Tax</u> (1)	<u>Sales Tax</u>	<u>Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
2002	18,690,329	6,424,167	589,942	489,012	26,193,450
2003	21,276,968	6,974,456	563,486	436,559	29,251,469
2004	21,713,205	7,654,959	572,932	489,122	30,430,218
2005	23,081,521	8,456,040	675,295	569,733	32,782,589
2006	25,267,247	9,138,060	783,509	582,638	35,771,454
2007	26,102,086	9,594,569	991,081	368,073	37,055,809
2008	27,783,706	9,758,126	985,069	141,157	38,668,058
2009	31,162,920	9,033,512	891,857	112,700	41,200,989
2010	32,171,735	8,765,035	806,686	41,173	41,784,629
2011	32,612,118	8,941,463	872,115	51,708	42,477,404

Notes:

(1) Property tax total includes interest received on delinquent taxes.

Town of Chapel Hill
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Residential Property	Commercial Property	Combined Real Property	Personal Property
2002	(1,2)	*	*	3,556,294,528	403,959,196
2003		*	*	3,688,289,625	415,023,471
2004		*	*	3,791,842,402	455,906,761
2005		*	*	3,918,233,860	482,128,300
2006	(1)	3,956,681,069	783,355,893	4,740,036,962	498,524,879
2007		3,640,445,489	1,249,997,134	4,890,442,623	520,961,320
2008		3,825,506,198	1,313,540,280	5,139,046,478	460,567,284
2009		3,945,477,182	1,354,733,971	5,300,211,153	471,708,077
2010	(1)	4,855,643,567	1,667,252,143	6,522,895,710	455,030,840
2011		5,133,443,183	1,762,638,471	6,896,081,654	452,486,487

* The breakdown between residential and commercial property is not available for fiscal years prior to 2006.

Notes:

- (1) Revaluation year.
- (2) Increase due to revaluation and the addition of \$200 million from a major annexation.
- (3) Public service companies valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (4) Source is the State Department of Revenue final report of assessed valuations of NC Municipalities for the 2010/2011 fiscal year.
- (5) Per \$100 of value. Includes taxes for general fund, debt service fund and transit fund.
- (6) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (7) Source is the Property Tax Division of the North Carolina Department of Revenue.

Table 6

Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
(3)	(4)	(5)	(6)	(7)
60,873,428	4,021,127,152	0.504	4,459,990,186	90.16%
63,868,306	4,167,181,402	0.553	4,725,767,070	88.18%
57,587,809	4,305,336,972	0.553	5,139,473,525	83.77%
57,774,008	4,458,136,168	0.575	4,664,298,146	95.58%
60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
61,554,945	5,472,958,888	0.522	6,582,822,815	83.14%
60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%
67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%
62,491,249	7,411,059,390	0.494	7,477,610,120	99.11%

**Town of Chapel Hill
Direct and Overlapping Property Tax Rates,
Per \$100 of Assessed Value
Last Ten Fiscal Years**

Year Taxes Payable	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Chapel Hill within Orange County:	*			
<u>Town Direct Rates:</u>				
General Fund	0.461	0.510	0.502	0.516
Transit	0.043	0.043	0.051	0.059
Debt Service **	-	-	-	-
Total outside Downtown Service District	0.504	0.553	0.553	0.575
Downtown Service District	0.062	0.062	0.062	0.062
Total Direct Rates	0.566	0.615	0.615	0.637
<u>Overlapping Rates:</u>				
Orange County	0.805	0.845	0.880	0.880
Chapel Hill - Carrboro School District	0.202	0.192	0.200	0.200
Total Overlapping Rates	1.007	1.037	1.080	1.080
Total Direct and Overlapping Rates	1.573	1.652	1.695	1.717
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.461	0.510	0.502	0.516
Transit	0.043	0.043	0.051	0.059
Debt Service	-	-	-	-
Total Direct Rates	0.504	0.553	0.553	0.575
<u>Overlapping Rates:</u>				
Durham County	0.729	0.753	0.763	0.790
Total Direct and Overlapping rates	1.233	1.306	1.316	1.365

* Revaluation year

** For fiscal years 2007/2008 and prior, property tax revenues were allocated between the general fund and the transit fund. Beginning with the 2008/2009 fiscal year, the allocation was changed to include an allocation to the debt service fund.

Source: North Carolina State Department of Revenue.

Table 7

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
*				*	
0.474	0.474	0.474	0.423	0.360	0.360
0.048	0.048	0.048	0.048	0.041	0.041
-	-	-	0.110	0.093	0.093
0.522	0.522	0.522	0.581	0.494	0.494
0.053	0.090	0.090	0.071	0.071	0.071
0.575	0.612	0.612	0.652	0.565	0.565
0.843	0.903	0.950	0.998	0.858	0.858
0.183	0.189	0.204	0.230	0.188	0.188
1.026	1.092	1.154	1.228	1.046	1.046
1.601	1.704	1.766	1.880	1.611	1.611
0.474	0.474	0.474	0.423	0.360	0.360
0.048	0.048	0.048	0.048	0.041	0.041
-	-	-	0.110	0.093	0.093
0.522	0.522	0.522	0.581	0.494	0.494
0.809	0.809	0.834	0.708	0.690	0.746
1.331	1.331	1.356	1.289	1.184	1.240

Note: Overlapping rates are those of local and county governments that apply to property owners within the Town of Chapel Hill. Not all overlapping rates apply to all Chapel Hill property owners; for example, although a county property tax rate applies to all town property owners, the Downtown Service District rates apply only to the property owners whose property is located within that district's geographic boundaries.

**Town of Chapel Hill
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	Type of Business
Chapel Hill Foundation Real Estate (University Square) East 54 Associates	Shopping Center Development
Blue Cross and Blue Shield of North Carolina	Health Insurance
VAC Limited Partnership	Apartment Rental
Corium LLC	Health Insurance
ACC GF III Chapel Ridge/Chapel View	Apartment Rental
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
Europa Center LLP	Office Building
Southern Village Apartments	Apartment Rental
DDRM Meadowmont Village Center LLC (formerly Inland Southeast Meadowmont LLC)	Development
BellSouth Telephone Company (formerly Southern Bell Telephone & Telegraph Co.)	Public Utility
Elizabeth P. Kenan et al	Property Owner
Chapel Hill Residential Retirement Center, Inc	Retirement Facility
Wachovia Bank of North Carolina, Trustee	Shopping Center
Estates at Chapel Hill	Apartment Rental
Copperline Associates LTD	

Totals

Total assessed valuation

Sources:

- (1) 2001/2002 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2011			Fiscal Year 2002		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
\$ 45,447,501	1	0.61%			
37,873,736	2	0.51%			
37,283,898	3	0.50%	64,700,477	1	1.61%
369,348,797	4	4.98%	27,601,590	4	0.69%
35,399,117	5	0.48%			
35,159,298	6	0.47%			
34,182,311	7	0.46%			
30,309,770	8	0.41%	22,458,538	7	0.56%
27,814,759	9	0.38%			
25,076,720	10	0.34%			
			17,109,173	10	
			26,783,575	5	0.67%
			58,035,571	2	1.44%
			34,801,011	3	0.87%
			22,964,053	6	0.57%
			18,577,107	9	0.46%
			18,716,387	8	0.47%
\$ <u>677,895,907</u>		<u>9.15%</u>	\$ <u>311,747,482</u>		<u>7.75%</u>
\$ <u>7,411,059,390</u>			\$ <u>4,021,127,152</u>		

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**Town of Chapel Hill
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2002	20,417,001	20,271,201	99.29%	*	*	*	*
2003	23,067,472	22,919,205	99.36%	*	*	*	*
2004	23,775,375	23,653,530	99.49%	111,079	23,764,609	99.95%	*
2005	25,615,621	25,480,324	99.47%	110,800	25,591,124	99.90%	*
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	*
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	*
2008	30,412,485	30,240,782	99.44%	127,377	30,368,159	99.85%	(1) 157,547
2009	33,972,050	33,779,684	99.43%	139,190	33,918,874	99.84%	22,248
2010	35,119,150	34,836,717	99.20%	163,514	35,000,231	99.66%	45,463
2011	35,604,158	35,284,111	99.10%	-	35,284,111	99.10%	320,047

* Data not available. The Town contracts with the counties to maintain the tax records and must rely on the records provided.

Notes:

(1) This amount represents the cumulative delinquent taxes for years 2008 and prior.

Town of Chapel Hill
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		
	General Obligation Bonds	Certificates of Participation	Installment Loans
2002	17,380,000	-	6,460,553
2003	20,070,000	-	5,442,139
2004	18,400,000	-	6,526,774
2005	20,725,000	26,000,000	5,069,836
2006	18,545,000	25,500,000	5,668,038
2007	21,630,000	24,500,000	9,424,561
2008	19,515,000	23,135,000	9,080,308
2009	17,415,000	21,770,000	7,355,887
2010	15,285,000	20,405,000	7,484,449
2011	34,110,000	19,040,000	7,452,516

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14 for personal income and population data.

Table 10

Business-type Activities				
Certificates of Participation	Total Primary Government	Per Capita Personal Income	Per Capita	Percentage of Personal Income
			(1)	(1)
6,495,000	30,335,553	32,126	600	2.49%
6,350,000	31,862,139	33,125	625	2.59%
6,380,000	31,306,774	33,211	608	2.52%
6,160,000	57,954,836	37,121	1,125	4.66%
5,925,000	55,638,038	38,629	1,062	4.40%
5,680,000	61,234,561	41,435	1,146	2.77%
5,430,000	57,160,308	41,435	1,041	2.51%
5,165,000	51,705,887	43,844	930	2.12%
4,895,000	48,069,449	47,063	847	1.80%
4,615,000	65,217,516	47,925	1,140	2.38%

**Town of Chapel Hill
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Fiscal Year	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General bonded debt outstanding				
General obligation bonds	\$ 17,380,000	\$ 20,070,000	\$ 18,400,000	\$ 20,725,000
Percentage of estimated actual property value (1)	0.43%	0.48%	0.43%	0.46%
Per capita (2)	\$ 541	\$ 606	\$ 554	\$ 558

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

- (1) See Table 6 for property value data.
- (2) See Table 14 for personal income and population data.

Table II

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 18,545,000	\$ 21,630,000	\$ 19,515,000	\$ 17,415,000	\$ 15,285,000	\$ 34,110,000
0.38%	0.40%	0.34%	0.30%	0.22%	0.46%
\$ 480	\$ 522	\$ 471	\$ 397	\$ 325	\$ 712

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011**

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Orange County	\$ 10,349,000	46.29%	\$ 4,790,780
Durham County	236,200,846	2.16%	5,102,749
Total overlapping debt			<u>9,893,529</u>
Total direct debt			<u>53,150</u>
Total direct and overlapping debt			<u><u>\$ 19,840,209</u></u>

Sources:

Orange County Department of Financial Services.

Durham County Department of Finance.

**Town of Chapel Hill
Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total assessed valuation	\$ 4,021,127,152	\$ 4,167,181,402	\$ 4,305,436,972
Debt limit - 8% of total assessed valuation	321,690,172	333,374,512	344,434,958
General obligation bonds	17,380,000	20,070,000	18,400,000
Bonds authorized but unissued	<u>4,250,000</u>	<u>4,000,000</u>	<u>29,360,000</u>
Net debt applicable to debt limit	<u>21,630,000</u>	<u>24,070,000</u>	<u>47,760,000</u>
Legal debt margin	<u>\$ 300,060,172</u>	<u>\$ 309,304,512</u>	<u>\$ 296,674,958</u>
Legal debt margin as a percentage of the debt limit	93.28%	92.78%	86.13%

Note: Under North Carolina general statutes, a municipality's net debt should not exceed 8% of total assessed property value.
The Town's outstanding debt that applies to this limit at June 30, 2011 totalled \$34,110,000.
This total is less than 1% of the Town's June 30, 2011 tax base (\$7.41 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2010/2011 fiscal year.

North Carolina G.S §159-55.

Table 13

		Fiscal Year											
		<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>					
\$	4,458,136,168	\$	5,299,402,374	\$	5,472,958,888	\$	5,659,756,385	\$	5,835,597,388	\$	7,045,574,326	\$	7,411,059,390
	356,650,893		423,952,190		437,836,711		452,780,511		466,847,791		563,645,946		592,884,751
	20,725,000		18,545,000		21,630,000		19,515,000		17,415,000		15,285,000		34,110,000
	25,360,000		25,360,000		20,410,000		20,410,000		20,410,000		20,410,000		-
	<u>46,085,000</u>		<u>43,905,000</u>		<u>42,040,000</u>		<u>39,925,000</u>		<u>37,825,000</u>		<u>35,695,000</u>		<u>34,110,000</u>
\$	<u>310,565,893</u>	\$	<u>380,047,190</u>	\$	<u>395,796,711</u>	\$	<u>412,855,511</u>	\$	<u>429,022,791</u>	\$	<u>527,950,946</u>	\$	<u>558,774,751</u>
	87.08%		89.64%		90.40%		91.18%		91.90%		93.67%		94.25%

**Town of Chapel Hill
Demographic and Economic Statistics
Last Ten Fiscal Years**

Table 14

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
2002	50,542	3,800,280	32,126	24.2	15.82	34,628	3.1%
2003	51,005	3,877,363	33,125	24.2	15.82	37,012	4.0%
2004	51,485	3,910,401	33,211	24.2	15.82	37,587	3.0%
2005	51,519	4,384,443	37,121	24.2	15.82	37,308	4.0%
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.9%
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9%
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	4.0%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	5.8%
2010	56,778	5,976,341	47,063	30.4	15.82	39,428	6.5%
2011	57,233	6,186,352	47,925	30.4	15.82	41,139	7.2%

Notes:

- (1) Town of Chapel Hill Department of Planning, Office of State Budget and Management
- (2) U. S. Department of Commerce, Bureau of Economic Analysis. Data available for Orange County only.
Most recent available census data.
- (3) U. S. Department of Commerce, most recent available census data.
- (4) Chapel Hill-Carrboro City Schools and The University of North Carolina at Chapel Hill.
- (5) N. C. Employment Security Commission, June 2011 data for Orange County.

**Town of Chapel Hill
Principal Employers
Current Year and Nine Years Ago**

Table 15

Taxpayer	Fiscal Year 2011			Fiscal Year 2002		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
(1)	(2)					
University of North Carolina at Chapel Hill	11,204	1	29.6%		1	
University of North Carolina Hospitals	7,977	2	21.1%	Not available	2	Not available
Blue Cross Blue Shield of NC	4,922	3	13.0%	available	3	available
Carrboro-Chapel Hill Schools	2,000	4	5.3%		4	
Town of Chapel Hill	754	5	2.0%		5	
Total	26,857		71.0%			Not available
Total Town Employment	(2) 37,831			Not available		

(1) Source: Chapel Hill-Carrboro Chamber of Commerce.

(2) Source: Employer websites or Human Resource Departments. Most recent year available.

**Town of Chapel Hill
Operating Indicators
Last Ten Fiscal Years**

Function/Program	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General government:				
Finance				
Purchase orders issued	2,190	2,092	2,082	2,080
Human Resources				
Recruitment for positions	84	96	86	56
Public Works				
Streets resurfaced (miles)	6.65	4.71	6	6.05
Refuse collected (tons)	21,729	23,992	23,836	22,231
Economic and development:				
Planning/Inspections				
Building permits issued	927	1,035	903	961
Public safety:				
Police				
Calls for service*	26,278	24,778	29,385	30,754
Traffic citations	3,615	3,448	3,902	4,682
Fire				
Emergency responses	2,423	2,088	1,787	1,811
Property losses	\$ 1,118,170	\$ 1,058,199	\$ 2,244,200	\$ 232,025
Inspections	1,289	1,308	1,327	1,312
Leisure activities:				
Parks and Recreation				
Program/league registrants**	32,530	37,101	37,312	38,343
Pass memberships				
Class registrations				
Daily visits				
Transit				
Service miles	1,644,754	1,883,680	2,180,107	2,140,275
Parking				
Citations issued	22,263	19,737	19,595	19,781
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***				

* Traffic and on-view arrests were not included previous to 2007.

Removing those calls would result in a 2% decrease in calls (32,193).

** The Parks & Recreation Department discontinued tracking total program registration data after the 2008-2009 fiscal year.

*** The Stormwater division moved to Public Works in 2008-2009 and no longer tracks statement reviews.

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year						
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
2,135	2,386	2,222	1,411	1,275	1,278	
74	79	84	88	72	54	
5.45	5.71	5.71	5.87	8.09	n/a	
21,838	21,541	19,821	16,502	15,501	14,700	
716	755	610	692	792	581	
32,871	42,428	42,691	34,273	44,588	36,596	
4,885	6,716	6,439	5,605	5,590	4,664	
2,208	3,349	2,274	2,352	4,113	4,723	
\$ 594,200	\$ 3,312,435	\$ 2,875,631	\$ 2,317,857	\$ 2,315,123	\$ 880,880	
1,218	730	714	1,436	2,334	1,155	
38,141	35,250	35,758	35,389	n/a	n/a	
				3,168	2,719	
				2,563	3,086	
				131,840	118,605	
2,479,470	2,396,497	2,247,250	2,190,575	2,938,507	2,800,468	
20,043	18,731	18,864	17,136	16,977	14,949	
258	193	223	234	n/a	n/a	

**Town of Chapel Hill
Capital Asset Statistics
Last Ten Fiscal Years**

Function/Program	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government:				
Public Works				
Streets (miles)	151.9	151.9	153.1	156.6
Street lights	2,691	2,905	3,006	3,008
Public Safety:				
Police				
Patrol units	4	4	4	4
Investigative units	2	2	2	2
Other specialty units	3	3	3	3
Fire				
Number of stations	5	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	17	17	17	17
Library				
Volumes in circulation	140,550	148,706	150,408	158,673
Transportation				
Number of buses	74	83	83	86
Number of vans	13	14	14	11
Parking				
Number of spaces available	889	889	889	889
Housing				
Number of units occupied	325	317	310	325

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
162.3	164.2	165.1	164.9	165.3	165.4
3,005	3,075	3,161	3,260	3,313	3,313
4	4	5	5	5	5
2	2	2	2	2	2
3	3	2	3	5	4
5	5	5	5	5	5
17	17	15	15	15	15
168,109	170,586	178,687	164,040	181,046	182,800
86	89	98	96	99	98
18	18	15	15	19	19
887	890	880	913	957	948
329	320	316	322	326	321

Town of Chapel Hill
Full-time Equivalent Town Government Employees by Function,
Last Ten Fiscal Years

Table 18

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government:										
Mayor and council	0.53	0.53	1	1	1	1	1	1	1	1
Town manager's office	6	6	6	6	6	7.53	6.8	7	8	8
Town clerk's office	4.27	4.27	4.53	4.53	4.53	4.53	7.53	9.13	9.13	9.13
Human resources	7.23	6.73	8	8	8	8	8	8	8	8
Finance	11.39	10.86	11.33	11.33	12.33	12.33	12.53	14	14	14
Information technology	4	5	5	6	7	7	7	8	8	9
Legal	2	2	2	2	2	2	2	2	2	2
Public Works (C,D)	122.5	116.5	128	129	129	124	114	78	76.75	85
Environment and development:										
Planning	15.53	15.53	15.53	16.19	16.19	18.56	19.56	21.1	21.06	20.53
Inspections	9	10.53	10.53	10.53	9	9	9	8	8	8
Engineering	13	13	13	12	11.8	19	20	23	23	23
Housing (A)	18	18	18	18	-	-	-	-	-	-
Public Safety:										
Police	135.2	135.4	134	138	138	144	144	144	144	145
Fire	73.15	73.13	74	74.53	74.53	86.53	86.53	93.5	93.53	93.53
Leisure activities:										
Parks & Recreation (C)	20.95	20.95	21.38	21.91	22.79	23.26	22.59	56.79	58.84	58.84
Library	28	28	28	28	28	29	29	29.2	29.2	29.08
Transit	140.59	143.59	159.09	161.59	164.59	167.79	171.46	176	185.98	195.33
Parking	12	13.3	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8
Housing (A)	-	-	-	-	18	17	18	18	18	17
Stormwater (B,D)	-	-	-	4	5.2	5.2	7	14	14	14
Total	623.34	623.32	652.19	665.41	670.76	698.53	698.8	723.52	735.29	753.24

Notes:

(A) Housing was reported as a Special Revenue Fund through fiscal year 2004-2005 and then changed for reporting purposes to a Propriety Fund.

(B) The Stormwater Management Fund was established in 2004-2005.

(C) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.

(D) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.

Source: Town of Chapel Hill Department of Human Resources and Development.

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed In Accordance With Government Auditing Standards

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

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2011, not presented here, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Orange Water and Sewer Authority were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chapel Hill'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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 Chapel Hill'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.

This report is intended solely for the information and use of the Town Council, management, 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 28, 2011

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

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

Compliance

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (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 its major federal programs for the year ended June 30, 2011. The Town of Chapel Hill'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 Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill'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 Chapel Hill'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 Chapel Hill's compliance with those requirements.

In our opinion, the Town of Chapel Hill complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the Town of Chapel Hill 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 Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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'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 the 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 weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill as of and for the year ended June 30, 2011, which collectively comprise the Town of Chapel Hill, North Carolina's basic financial statements, and have issued our report thereon dated October 28, 2011 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Chapel Hill, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the 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 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 schedule of expenditures of federal and State awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 28, 2011

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report On Compliance With Requirements That Could Have a Direct and Material Effect On 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

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

Compliance

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 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 its major State programs for the year ended June 30, 2011. The Town of Chapel Hill'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 Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill'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 Chapel Hill'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 Chapel Hill's compliance with those requirements.

In our opinion, the Town of Chapel Hill complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with 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, 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'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 the 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 weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill as of and for the year ended June 30, 2011, which collectively comprise the Town of Chapel Hill, North Carolina's basic financial statements, and have issued our report thereon dated October 28, 2011 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Chapel Hill, North Carolina's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the 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 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 schedule of expenditures of federal and State awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Town Council, management, 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 28, 2011

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of the Town of Chapel Hill, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the Town's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to Federal and State awards.
- H. Major federal programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2011 are:

<u>Program Name</u>	<u>CFDA#</u>
Community Develop. Block Grant	14.218
Public and Indian Housing - Operating	14.850
Public and Indian Housing - Capital	14.872
FTA - Planning Grant	20.505
FTA - Federal Transit Capital Grant	20.507

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Major State programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2011 are:

Powell Bill/DOT
State Maintenance Assistance for Urban and Small Urban

- J. The threshold for determining Type A programs for the Town of Chapel Hill, North Carolina is \$300,000.
- K. The Town of Chapel Hill, North Carolina did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

2. Findings Related to the Audit of the Basic Financial Statements

None

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None

4. Findings and Questioned Costs Related to the Audit of State Awards

None

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

None.

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TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
FEDERAL ASSISTANCE						
U.S. Department of Transportation						
<i>Direct Programs:</i>						
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-95-X001-00	2,088,430	1,637	-	504
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-95-X025-00	2,870,000	928	-	232
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0005	356,920	7,575	-	1,894
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0013	376,200	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-00	2,433,528	1,388	-	348
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-01	2,564,520	78,958	7,825	11,915
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X478-00	2,542,369	82,134	-	20,534
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-95-X033-00	500,000	8,019	-	2,005
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	NC-37-X018-00	352,712	77,213	-	80,086

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	11-08-103	134,496	119,688	-	13,301
Federal Transit Administration - Federal Transit Planning Formula Grant (ARRA)	20.507	NC-96-X003-00	2,714,867	28,800	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant (ARRA)	20.507	NC-66-X003-00	183,000	177,570	-	2
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-95-X041-00	1,505,000	88,900	-	22,225
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	11-ED-002	537,683	11,095	1,386	18,968
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	11-JA-002	750,000	-	-	-
<i>Passed-Through City of Durham, North Carolina:</i>						
Federal Transit Administration - Section 104(f) Planning Grant	20.505	PL 104(F)	86,754	64,101	-	16,817
Federal Transit Administration - STP-DA 133(b)(3)(7) Planning Grant	20.505	STP-DA 133(b)(3)(7)	406,250	324,994	-	81,248
Federal Transit Administration - Small Area STP-DA 133(b)(3)(7) Planning Grant	20.505	STP-DA 133(b)(3)(7)	150,000	99,200	-	24,800
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	169,936	22,811	-	22,812

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	118,534	28,737	-	28,739
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	70,000	6,284	-	1,570
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	97,600	-	-	-
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	50,614	16,445	-	4,112
Total U.S. Department of Transportation				<u>1,246,477</u>	<u>9,211</u>	<u>352,112</u>
Federal Highway Administration						
<i>Passed-Through NC Department of Transportation:</i>						
NCDOT MPO Grant - Drainage Grate - MLK	20.205	U-4726 M	10,000	-	-	-
NCDOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	135,000	-	-	-
NCDOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	15,000	-	-	-
NCDOT MPO Grant - MLK Pedestrian Safety (ARRA)	20.205	U-4726 IC	403,952	35,210	-	-
NCDOT MPO Grant - Sidewalks (ARRA)	20.205	U-4726 IE	152,656	6,529	-	-
NCDOT MPO Grant - ADA Ramps (ARRA)	20.205	U-4726 IA	57,500	10,984	-	-
NCDOT MPO Grant - Traffic Calming (ARRA)	20.205	U-4726 IB	65,189	59,964	-	-
NCDOT MPO Grant - Morgan Creek (ARRA)	20.205	EL-4601	347,488	64,537	-	-
Total Federal Highway Administration				<u>177,224</u>	<u>-</u>	<u>-</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of Housing and Urban Development						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement	14.218	MC-37-0016	5,532,572	689,153	-	-
Community Development Block Grant Entitlement (ARRA)		MY-37-0016	156,110	17,152	-	-
Public and Indian Housing Program - Operating	14.850	NC046-00000111D/211D	1,559,586	1,559,586	-	-
Rental and other income			-	-	-	538,709
Public and Indian Housing - Capital Fund	14.872	NC-19P04650107	582,697	400	-	-
		NC-19P04650108	578,700	73,695	-	-
		NC-19P04650109	595,500	144,878	-	-
		NC-19P04650110	594,401	23,161	-	-
		NC-046REF025A004	248,240	-	-	-
		NC-19S04650109 (ARRA)	732,519	562,586	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
Public and Indian Housing - Transitional Housing	14.239		285,117	-	-	-
Program Income				-	-	10,635
Total U.S. Department of Housing and Urban Development				<u>3,070,611</u>	<u>-</u>	<u>549,344</u>
U.S. Department of Justice						
<i>Direct Programs:</i>						
COPS Technology Grant	16.710	2008CKWX0450	116,913	8,549	-	-
Bulletproof Vest Partnership Program	16.607		20,729	2,218	-	2,217
Bulletproof Vest Partnership Program	16.607		31,338	15,434	-	15,435
Bulletproof Vest Partnership Program	16.607		33,172	955	-	955

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
PSN-MDAT CHPD Training	16.609	068-1-09-001-BB-104	1,250	1,125	-	-
Project Safe Orange	16.609	068-1-09-001-BB-736	60,869	44,175	-	-
Project Safe Orange	16.609	068-1-10-001-BB-020	58,236	1,899	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
Byrne Justice Assistance Grant (ARRA)	16.804		18,521	18,445	-	-
Total U.S. Department of Justice				<u>92,800</u>	<u>-</u>	<u>18,607</u>
U.S. Department of Homeland Security						
<i>Direct Programs:</i>						
SAFER Grant	97.083	EMW-2006-FF-04309	2,671,525	72,448	-	459,911
<i>Passed-Through NC Department of Insurance/Office of the State Fire Marshal:</i>						
FEMA Fire Prevention Grant	97.094		1,000	1,000	-	-
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Federal Mediation and Conciliation Services Youth Initiative Partnership	34.001		24,000	-	-	-
Total U.S. Department of Homeland Security				<u>73,448</u>	<u>-</u>	<u>459,911</u>
U.S. Department of Energy						
<i>Direct Programs:</i>						
Energy Efficiency and Conservation Block (ARRA)	81.128	DE-SC0002602	554,900	58,826	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<i>Passed-Through North Carolina State University:</i>						
Alternative Fuel/Advanced Vehicle Technology	81.041	DE-EE000157	22,252	-	-	-
<i>Passed-Through Southeast Energy Efficiency Alliance:</i>						
Energy Efficiency Retrofit (ARRA)	81.128	DE-EE0003575	165,000	32,351	-	7,440
Total U.S. Department of Energy				<u>91,177</u>	<u>-</u>	<u>7,440</u>
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment & Natural Resources:</i>						
EPA Section 319 Grant	15.530		533,620	93,466	-	34,910
Recreation Trails Program Grant	20.219	3396	100,000	19,533	-	6,511
Total U.S. Department of the Interior				<u>112,999</u>	<u>-</u>	<u>41,421</u>
National Endowment for the Arts						
<i>Passed-Through NC Arts Council</i>						
Arts Grant	45.025	FY10-0350	60,000	-	-	25,000
Total National Endowment for the Arts				<u>-</u>	<u>-</u>	<u>25,000</u>
U.S. Department of Treasury						
Build America Bonds Interest Subsidy			85,676	85,676	-	-
Total U.S. Department of Treasury				<u>85,676</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE				<u>4,950,412</u>	<u>9,211</u>	<u>1,453,835</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
STATE ASSISTANCE						
North Carolina Department of Transportation:						
Powell Bill			1,364,575	-	1,364,575	-
Interest			80	-	-	80
State Maintenance Assistance for Urban and Small Urban Areas			3,671,170	-	3,671,170	-
NCDOT MPO Grant - Morgan Creek			169,375	-	71,107	8,942
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	-	-
NCDOT MPO Grant - Traffic Signal Improvments			70,538	-	-	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	-	-
NCDOT MPO Grant - Dry Creek Trail			80,000	-	-	-
NCDOT MPO Grant - Fordham Landscape Buffer			50,000	-	-	-
NCDOT - Advanced Technology Program	11-AT-013		100,000	-	5,627	625
<i>Passed-Through North Carolina State University:</i>						
Clean Fuel Advanced Technology	2005-1181-45		78,472	-	35,260	43,212
<i>Passed-Through Triangle J Council of Government:</i>						
Transit Demand Grant			97,151	-	41,413	41,413
Total North Carolina Department of Transportation				-	5,189,152	94,272
North Carolina State Energy Office:						
<i>Passed-Through Triangle J Council of Government:</i>						
Triangle Clean Cities Coalition			55,815	9,015	-	40,616
State Library Aid			35,766	-	35,766	-
TOTAL STATE ASSISTANCE				9,015	5,224,918	134,888
TOTAL FINANCIAL ASSISTANCE				\$ 4,959,427	\$ 5,234,129	\$ 1,588,723

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Chapel Hill, North Carolina and is prepared 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 Governments, and Non-Profit Organizations and the State 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.

2. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2011. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2011, the Town had no unspent Powell Bill funds. The amount calculated as interest is based on the prior year interest rate which was used as an estimate for the current year.