

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2013**

Prepared by:

Town of Chapel Hill
Business Management Department

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal.....i
Certificate of Achievement for Excellence in Financial Reporting.....viii
Organizational Chart.....ix
The Town Governing Body and Officials.....x

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS 5

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Statement of Net Position 17
Statement of Activities 18

FUND FINANCIAL STATEMENTS:

MAJOR FUNDS..... 21

Governmental Funds:

Balance Sheet..... 23
Reconciliation of the Balance Sheet to the Statement of Net Position..... 25
Statement of Revenues, Expenditures and Changes in Fund Balances 26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities..... 28
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget to Actual..... 29

Proprietary Funds:

Statement of Fund Net Position..... 30
Statement of Revenues, Expenses and Changes in Net Position 32
Statement of Cash Flows..... 34

NOTES TO THE FINANCIAL STATEMENTS..... 39

REQUIRED SUPPLEMENTARY INFORMATION

Law Enforcement Officers' Special Separation Allowance:
Schedule of Funding Progress..... 77
Schedule of Employer Contributions 78
Other Postemployment Benefits:
Schedule of Funding Progress..... 79
Schedule of Employer Contributions 80

TABLE OF CONTENTS

Page

COMBINING NON-MAJOR FUND STATEMENTS AND SCHEDULES

Non-Major Governmental Funds:..... 81

Combining Balance Sheets:

 Other Governmental Funds 83

 Special Revenue Funds 84

 Capital Projects Funds 86

Combining Statement of Revenues, Expenditures and Changes in Fund Balances:

 Other Governmental Funds 87

 Special Revenue Funds 88

 Capital Projects Funds..... 90

Internal Service Funds..... 91

Combining Statement of Net Position..... 92

Combining Statement of Revenues, Expenses and Changes in Net Position..... 93

Combining Statement of Cash Flow 94

BUDGETARY STATEMENTS

Major Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual:

 General Fund 97

 Debt Service Fund..... 102

 Capital Projects Ordinance Fund 103

 Transit Grant Projects Ordinance Fund..... 105

Non-major Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual:

 Capital Projects Fund..... 106

 Capital Reserve Fund..... 107

 Public Housing Capital Grants Fund..... 108

 Community Development Grant Fund..... 109

 Affordable Housing Fund 110

 Transitional Housing Fund 111

 Land Trust Fund 112

 Grants Fund 113

 Downtown Service District Fund..... 114

 Library Gift Fund..... 115

TABLE OF CONTENTS

Page

Enterprise Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –

Budget and Actual (Modified Accrual Basis):

Transit Fund 116
Parking Facilities Fund 118
Public Housing Operating Fund 119
Public Housing Supplemental Data Schedules 120
Stormwater Management Fund 122

Internal Service Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –

Budget and Actual (Modified Accrual Basis):

Vehicle Replacement Fund 123
Vehicle Maintenance Fund 124
Computer Equipment Replacement Fund 125

Other Supplemental Schedules

Schedule of Ad Valorem Taxes Receivable 127
Analysis of Current Tax Levy 128

STATISTICAL SECTION

Statistical Section Summary 129
Net Position by Component 130
Changes in Net Position 131
Fund Balances, Governmental Funds 134
Changes in Fund Balance, Governmental Funds 136
Governmental Funds Tax Revenue by Source 139
Assessed Value and Actual Value of Taxable Property 140
Direct and Overlapping Property Tax Rates 142
Principal Property Tax Payers 144
Property Tax Levies and Collections 147
Ratios of Outstanding Debt by Type 148
Ratios of Net General Bonded Debt Outstanding 150
Direct and Overlapping Governmental Debt 153
Legal Debt Margin Information 154
Demographics and Economic Statistics 156
Principal Employers 157
Operating Indicators 158
Capital Asset Statistics 160
Full Time Equivalent Town Employees by Function 162

TABLE OF CONTENTS

Page

SINGLE AUDIT SECTION

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 163

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act..... 165

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act 167

Schedule of Findings and Questioned Costs..... 169

Summary Schedule of Prior Year Findings and Questioned Costs 171

Schedule of Expenditures of Federal and State Awards 173



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October 23, 2013

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, 2013 (FY 2012-13) 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, 2013.

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, 2013 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 Orange Water and Sewer Authority (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, 2013.

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 57,757 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 enabled 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. In 2009, the U.S. Conference of Mayors named Chapel Hill the “most liveable city” and the Town frequently appears in national “best place to live” listings.

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 24,000 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 began several new capital projects which affected Town borrowings and will impact 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 proposal as follows:

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>	

In November 2003, voters of the Town of Chapel Hill approved a bond referendum for a variety of projects totaling \$29.36 million. The bonds were sold in three issues, first \$4 million in 2004 and \$4.95 million in 2006. The last of the authorized bond sales, delayed with the economic downturn, included the majority of the library bonds and were sold in a single \$20.41 million issuance in October 2010. 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 Library project was completed in spring of 2013, with a dedication ceremony on April 20, 2013. The other bond-funded projects are under way in 2012-13. The issuance of the 2010 General Obligation debt represented the balance of the authority from the 2003 referendum.

The Town of Chapel Hill also committed to up to \$7.2 million for a \$75 million public/private development project to construct a three-section building complex combining condominiums, retail and underground parking. The complex was constructed on town-owned Parking Lot 5, facing both Franklin and Rosemary Streets. The project, in addition to retail space, includes 137 condominiums with 21 affordable housing units which have been placed in the Land Trust, nearly 30,000 square feet of office/retail space, and 345 parking spaces. The project also includes about 27,000 square feet of open public space and public art. The town retains

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, encourage the use of mass transit and increase the tax-base. The project is expected to generate new property and sales taxes and parking revenue. The construction phase of this project began in FY2011 and was completed in the summer of 2012. The Town's funding commitment for this project was effective upon completion.

In June 2012, the Town sold \$28.8 million in Limited Obligation Bonds (LOBs), taking advantage of favorable interest rates to both refinance existing debt and to borrow additional funds to meet the obligations for the downtown development. The LOBs refunded the existing certificates of participation for construction of the Town Operation Center and Wallace Parking Deck, as well as two installment purchase agreements for building parks projects. The new debt pays for the Town's portion of the parking structure in the mixed-use development, capital repairs of the Wallace Deck and renovations to the Town Operations Center.

Favorable rates in FY12 also led to refunding of portions of general obligation bonds from 1996, 2003 and 2004. In May, the Town issued \$4.655 million in refunding bonds, refinancing bonds that were issued for a variety of parks and recreation, streets and municipal building projects. Negotiated at the same time and closing in July 2012, the Town sold \$1.7 million in two-thirds bonds to finance a variety of parks and streets projects.

Taking advantage of favorable rates in early 2013, the Town refunded portions of general obligation bonds from 2006. In February 2013 the Town issued \$3.05 million in refunding bonds, refinancing bonds that were issued for a variety parks and recreation, streets and municipal building projects.

In order to issue additional General Obligation bonds, other than two-thirds bonds based on the reduction of outstanding general obligation debt principal, the Town would need to receive approval from voters through the public referendum process. The next bond referendum will probably take place after 2016-17.

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. To date development of Carolina North has been delayed due to the economic issues affecting the state budget.

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.

In 2011-12, the Town engaged the community in the creation of a new comprehensive plan, Chapel Hill 2020. The 2020 process brought together all stakeholders, including people who live, work, invest or play in the town, through a year-long series of discussions to provide input into the development of a guiding document that articulates the comprehensive vision and direction of the Town. The Town Council adopted Chapel Hill 2020 in June 2012, and directed a refinement of several small area plans and the Town's land development regulations as the first implementation phase of the new comprehensive plan. The implementation of 2020 was begun in FY13, including a series of small area focus plans and the launch of proposed revisions to the Land Use Management Ordinance (LUMO). They include: rezoning for the Ephesus-Fordham area, Central West Small Area planning, a NC-DOT grant-funded bicycle plan, two development agreement negotiations (Glen Lennox and Obey Creek), the LUMO review, reconsideration of the Town's advisory board structure, and work on the Town's housing policies and community engagement practices. These efforts are anticipated to span several years, bringing the Town's community vision, regulations, and policies into closer alignment.

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 dedication of a portion of the tax rate to debt service in 2008, along with the opportunity to pay off existing debt during the delay, allow the Debt Fund to meet debt service needs from fund balance. Although the issuance of the final 2003 bonds brought debt service costs temporarily above the established guideline of 12% of general fund expenditures, debt service is expected to fall below 12% by 2015-16.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2012-13 budget, with the allocation of fund balance for (one-time) workforce development projects 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, 2012.

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.

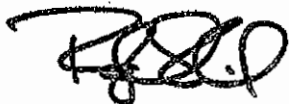
In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2012-13. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required categories, as a policy document, 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.

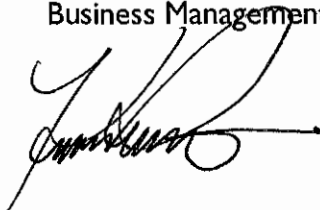
We would also like to thank the Mayor and members of the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Roger L. Stancil
Town Manager



Kenneth C. Pennoyer
Business Management Director





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

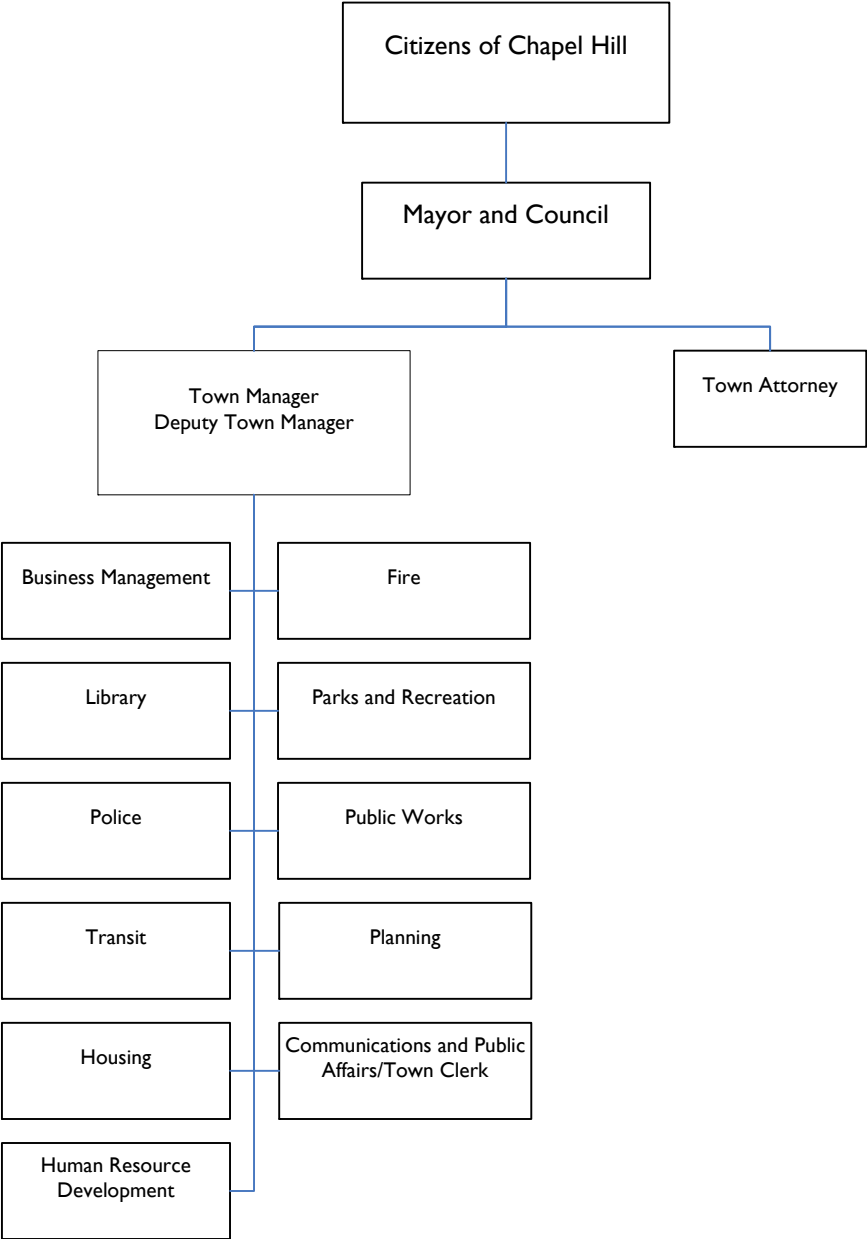
**Town of Chapel Hill
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATIONAL CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2013
MEMBERS OF THE GOVERNING BODY**

Mayor

Mark Kleinschmidt

Mayor pro tem

Ed Harrison

Council Members

Donna Bell

Matt Czajkowski

Laurin Easthom

Sally Greene

Gene Pease

Lee Storrow

Jim Ward

Administrative and Financial Staff

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's 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 required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapel Hill's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budget and actual schedules, and 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 accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and

Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 on our consideration of the Town of Chapel Hill's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chapel Hill's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 23, 2013

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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, 2013. 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, 2013, include:

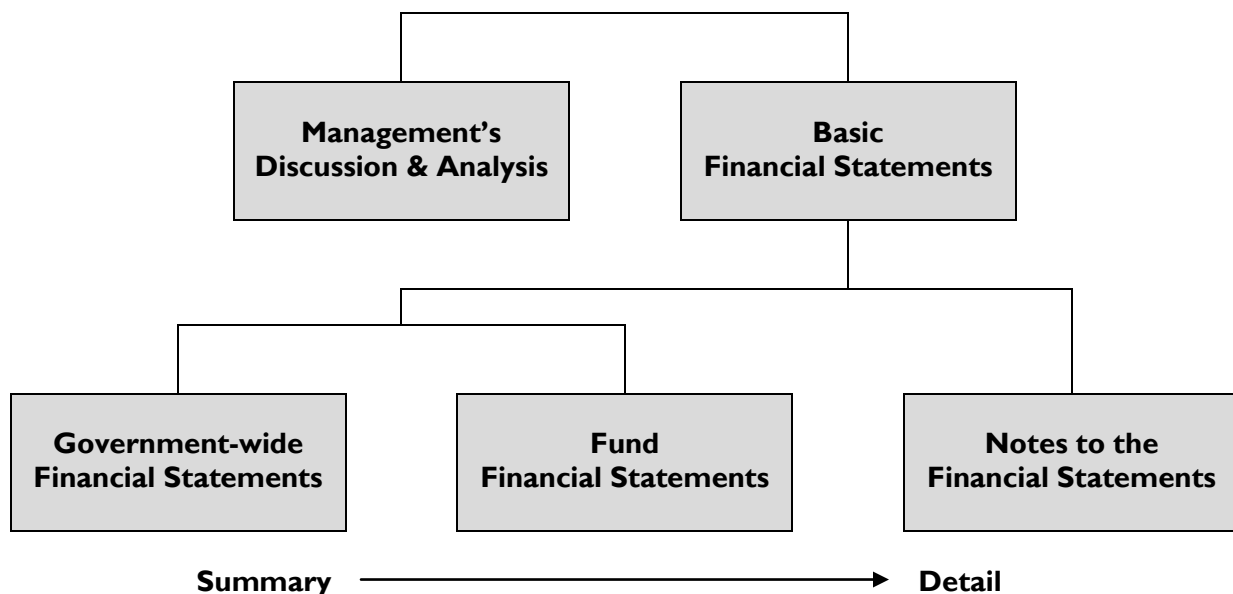
- The assets of the Town of Chapel Hill exceeded its liabilities and deferred inflows of resources as of the close of the fiscal year by \$155.4 million (net position.)
- The government's total net position decreased by about \$1.1 million, the net of a \$5.1 million increase in business-type activities net position and a \$6.2 million decrease in governmental activities net position.
- The fiscal year's activities continued the slow recovery of recent years from the 2008 recession and continue to validate the measures that were undertaken to deal with it. In fiscal year 2013, the management of the Town continued with budget initiatives that began in the fall of 2008 to deal with potential revenue shortfalls and to align revenues with expenditures.
- The strategies employed to deal with the possibility of reduced revenues proved successful. Without a tax increase and with minimal service cuts, assets increased by \$1.2 million, and liabilities increased by \$2.3 million, for a net use of net position of about \$1.1million.
- 2013 saw the completion of the expanded Chapel Hill Library. At 63,800 square feet, the expanded library is more than double the size of the old one, and contains several specialized functional areas, including a 5,500 square feet of meeting rooms, a 10,000 square foot children's room, a 1,300 square foot teen room, and 1,200 square feet of computer class room.

Management's Discussion and Analysis

- At June 30, 2013, total net position of \$155.4 million represents capital assets and restricted net position which has been reserved for specific purposes, with a balance of \$8.1 million that is unrestricted. Restrictions for Stabilization by State Statute accounts for \$18 million of net position, largely representing bond funds (\$9.6 million) and outstanding purchase orders for the ongoing capital projects (\$5.8 million), and outstanding purchase orders for ongoing Town operating costs (\$1.8 million.)
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$43.8 million, a decrease of \$15 million in comparison with the prior year, largely reflecting the use of bond funds for the new library.
- Unassigned fund balance of the General Fund (totaling approximately \$12.9 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 \$2.3 million to \$73.7 million as a net of the new debt issuance and the payoff of existing debt. The Town sold \$1.7 million in general obligation bonds and \$3.05 million in refunding bonds, refunding \$2.7 million in existing debt resulting in a net savings of \$158,000 over the life of the bonds.
- Property taxes supported 43% of the governmental services to citizens and the community in fiscal year 2013.
- 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

Required Components of Annual Financial Report



Management's Discussion and Analysis

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 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 position presents the Town's and OWASA's assets, liabilities, and deferred inflows and outflows, with the difference between the three categories reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

Management's Discussion and Analysis

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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 39 through 75 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 77 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. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language and classifications as the legal budget document. The statements show four columns: the original budget as adopted by the Council, the final budget as amended, the actual resources, charges to appropriations and ending balances and the difference or variance between the final budget and the actuals.

Government-Wide Financial Analysis

Figure 2 below is a summary of net position for the Town of Chapel Hill at June 30, 2013 (as shown in Exhibit 1) with comparative data from June 30, 2012.

Management's Discussion and Analysis

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	Current and other assets	\$ 52,096,024	\$ 67,585,439	\$ 14,127,615	\$ 9,984,359	\$ 66,223,639
Capital assets	122,381,853	112,602,812	53,612,945	50,829,655	175,994,798	163,432,467
Total assets	174,477,877	180,188,251	67,740,560	60,814,014	242,218,437	241,002,265
Current liabilities	11,383,893	11,439,313	1,582,009	1,414,895	12,965,902	12,854,208
Non-current liabilities	68,198,291	67,566,118	5,495,882	3,834,471	73,694,173	71,400,589
Deferred inflows of resources	94,321	131,864	46,380	82,835	140,701	214,699
Total liabilities and deferred inflows of resources	79,676,505	79,137,295	7,124,271	5,332,201	86,800,776	84,469,496
Net position:						
Net investment in capital assets	71,955,972	74,391,633	53,612,945	50,829,655	125,568,917	125,221,288
Restricted for:						
Stabilization by State Statute	17,997,797	31,938,580	-	-	17,997,797	31,938,580
Capital projects	2,593,463	118,938	-	-	2,593,463	118,938
Public housing	450,450	104,905	-	-	450,450	104,905
Other functions	634,129	267,781	-	-	634,129	267,781
Unrestricted	1,169,561	(5,770,881)	7,003,344	4,652,158	8,172,905	(1,118,723)
Total net position	\$ 94,801,372	\$ 101,050,956	\$ 60,616,289	\$ 55,481,813	\$ 155,417,661	\$ 156,532,769

The assets of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$155.4 million as of June 30, 2013. The Town's net position decreased by a total of \$1.1 million for the fiscal year, the net of a \$5.1 million increase in business-type activities and a \$6.2 million decrease in governmental activities.

The largest portion (76%) of net position reflects the Town's net 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 position (about \$21.7 million) represents resources that are subject to external restrictions on how they may be used, leaving a balance of \$8.1 million in unrestricted net position. Items positively affecting the Town's unrestricted net position include building permits in excess of budget (\$555,000), and receipt of a large transit capital grant that was delayed in prior fiscal year (\$9 million.)

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2013, with comparative data for June 30, 2012.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 5,640,601	\$ 4,948,921	\$ 6,213,396	\$ 5,863,317	\$ 11,853,997	\$ 10,812,238
Operating grants and contributions	4,172,211	3,839,686	16,535,515	12,148,941	20,707,726	15,988,627
Capital grants and contributions	10,429,387	3,124,515	8,952,435	2,884,220	19,381,822	6,008,735
General revenues:						
Taxes	44,395,971	43,862,452	2,987,412	2,965,320	47,383,383	46,827,772
Grants and contributions not restricted to specific programs	3,990,640	3,914,798	-	-	3,990,640	3,914,798
Investment earnings	91,575	34,258	10,765	8,709	102,340	42,967
Other	2,486,465	3,342,645	(930,194)	(204,093)	1,556,271	3,138,552
Total revenues	71,206,850	63,067,275	33,769,329	23,666,414	104,976,179	86,733,689
Expenses:						
General government	10,074,521	9,246,224	-	-	10,074,521	9,246,224
Environment and development	32,680,272	21,804,182	-	-	32,680,272	21,804,182
Public safety	21,357,911	21,140,258	-	-	21,357,911	21,140,258
Leisure activities	11,191,585	10,245,527	-	-	11,191,585	10,245,527
Interest expense	2,880,837	2,453,129	-	-	2,880,837	2,453,129
Transportation	-	-	21,819,683	21,454,457	21,819,683	21,454,457
Parking facilities	-	-	1,940,918	2,212,712	1,940,918	2,212,712
Stormwater management	-	-	1,765,150	1,825,682	1,765,150	1,825,682
Housing operations	-	-	2,380,410	2,204,546	2,380,410	2,204,546
Total expenses	78,185,126	64,889,320	27,906,161	27,697,397	106,091,287	92,586,717
Increase (decrease) in net position before transfers	(6,978,276)	(1,822,045)	5,863,168	(4,030,983)	(1,115,108)	(5,853,028)
Transfers	728,692	1,480,055	(728,692)	(1,480,055)	-	-
Increase (decrease) in net position Net position, July 1	(6,249,584)	(341,990)	5,134,476	(5,511,038)	(1,115,108)	(5,853,028)
Net position, July 1	101,050,956	101,392,946	55,481,813	60,992,851	156,532,769	162,385,797
Net position, June 30	\$ 94,801,372	\$ 101,050,956	\$ 60,616,289	\$ 55,481,813	\$ 155,417,661	\$ 156,532,769

Governmental activities. Governmental activities show a decrease in net position of about \$6.2 million. The decrease reflects the completion of capital projects, chiefly the Chapel Hill Library.

Business-type activities: Business-type activities increased Chapel Hill's net position by a net of \$5.1 million overall. With the receipt of a large federal grant for the purchase of buses, the Transit fund had a \$6.2 million increase in net position. Through growth in development and receipts, the Stormwater Management Fund gained \$174,000 in net position. The Housing Operating Fund had a decrease of \$428,000 by continuing existing operations with a decrease in federal operating subsidy. The Parking

Management's Discussion and Analysis

Facilities Funds had an anticipated decrease in net position of \$812,000 with the completion of construction of the 140 West parking deck.

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, 2013, the governmental funds of Chapel Hill reported a combined fund balance of about \$43.8 million, a decrease of \$15.2 million or 25.8% from last year. This change is largely the result of the completion of capital projects, particularly the Library project.

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 \$12.9 million, with total fund balance of \$23.5 million. The fund balance available for appropriation according to the statutory calculation is 32.7% of expenditures for FY13, and the Town Council guideline requires that we maintain at least a fund balance of 15% of expenditures in case of unforeseen needs. Unassigned fund balance represents 25.1%, and total fund balance, which includes reserves and designated amounts, represents 45.8% of total 2012-13 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$1.2 million. This increase was achieved by positive variances in both departmental expenditures and overall revenues. In particular, permits were \$555,000 more than anticipated, reflecting the continuation of moderate growth after the recession.

The Debt Service Fund, funded by a portion of the property tax rate and committed by the Council to making debt payments, had an anticipated decrease in fund balance of \$940,843 in FY13 as reserves are supplementing taxes to make debt payments.

The Capital Projects Ordinance Fund reflects a \$15 million decrease in fund balance, largely the use of bond proceeds for building the new Library.

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 economy showing signs of recovery, the actual revenues were about \$792,000 more than budgeted. Sales taxes continued at pre-recession levels, with receipts exceeding estimates by about \$179,000. Property tax receipts were slightly under budget by \$71,000 for the year. Signs of recovery were also reflected in development-related income, with Licenses and Permits \$555,000 over budget. Other revenue sources slightly exceeded budget, while intergovernmental revenues were just under budget.

Management's Discussion and Analysis

Expenditures were about \$5.4 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2012-13, reducing the requirements for road clearing, debris cleanup and heating of buildings. The delayed hiring of positions was in Solid Waste and the Library, pending the closure of the Orange County landfill and the opening of the new Library. In addition to efforts to curtail spending through the delayed hiring of open positions and other cost-cutting measures, the savings include \$1.2 million budgeted to fund Other Post-Employment Benefits that have not yet been placed in trust, and about \$1.7 million 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 position of the Enterprise Funds at the end of the fiscal year were \$5.4 million for the Transit Fund, \$2.8 million for the Housing Operating Fund and \$1.3 million for the Stormwater Management Fund. With the completion of the parking deck at 140 West, the Parking Facilities Fund shows an anticipated decrease in overall net position of \$812,000, comprised of a deficit in unrestricted net position of \$2.5 million with \$4.1 million invested in capital assets, net of related debt. The Transit Fund's \$6.2 million increase in net position reflects an increase in federal operating and capital grants, and the return of \$720,000 in matching funds that were not needed for capital bus purchases. 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 on the next page 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, 2013, capital assets totaled \$175,994,798 compared with \$163,432,467 in the prior fiscal year, with the overall increase chiefly due to the completion of the Library renovation of about \$15 million, netted against depreciation for the year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

Management's Discussion and Analysis

Town of Chapel Hill Capital Assets (net of depreciation) Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 27,001,106	\$ 27,001,106	\$ 6,962,311	\$ 6,962,311	\$ 33,963,417	\$ 33,963,417
Easements	78,290	78,159	-	-	78,290	78,159
Land improvements	14,712,033	14,105,763	3,537,044	3,737,760	18,249,077	17,843,523
Infrastructure	14,438,247	15,895,812	-	-	14,438,247	15,895,812
Buildings and building improvements	55,594,986	39,890,452	20,495,297	22,162,051	76,090,283	62,052,503
Equipment	1,090,477	987,077	846,792	1,069,805	1,937,269	2,056,882
Vehicles	4,619,599	4,307,028	21,764,774	16,885,303	26,384,373	21,192,331
Construction in progress	4,847,115	10,337,415	6,727	12,425	4,853,842	10,349,840
Total	\$ 122,381,853	\$ 112,602,812	\$ 53,612,945	\$ 50,829,655	\$ 175,994,798	\$ 163,432,467

Long-term Debt. As shown in Figure 5 on the next page, as of June 30, 2013 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$30,820,000. The Town also had \$26,585,000 of debt in limited obligation bonds to refund certificates of participation for funding construction of the Town Operations Center and construction of the Wallace Parking Deck, to refund installment notes for parks construction projects and to fund Parking projects and renovations to the Town Operations Center. Total debt of about \$82 million includes the addition of other postemployment benefits totaling \$17.1 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

Town of Chapel Hill Outstanding Debt Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 30,820,000	\$ 31,445,000	\$ -	\$ -	\$ 30,820,000	\$ 31,445,000
Limited obligation bonds	26,585,000	28,800,000	-	-	26,585,000	28,800,000
Installment notes payable	4,172,666	4,650,441	-	-	4,172,666	4,650,441
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	239,126	246,648	-	-	239,126	246,648
Compensated absences	2,374,171	2,348,310	591,016	603,706	2,965,187	2,952,016
Other postemployment benefits	11,691,537	7,997,013	5,464,712	3,828,675	17,156,249	11,825,688
Total	\$ 76,005,646	\$ 75,610,558	\$ 6,055,728	\$ 4,432,381	\$ 82,061,374	\$ 80,042,939

The Town's total debt from governmental activities increased by \$395,000 or .5%, to \$76 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 \$1.7 million in general obligation bonds, \$3.05 million in refunding obligation bonds and the annual increase in other postemployment benefits.

Business-type debt increased by about \$1.6 million to \$6.1million, a net of the addition to post-employment benefits of \$1.6 million and the payments made during the year. During the year, the Town also added installment financing for vehicle replacement of \$876,200 and there was a slight decrease 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, 2013 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 about \$553 million, well above the town's outstanding debt for general obligation bonds of approximately \$30.8 million, which is about 5.2% 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 58 of this report.

Management's Discussion and Analysis

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 5.5% at June 30, 2013, well below the state average of 9.2%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities:

General Fund revenues budgeted for FY14 total \$54.8 million, including the use of \$1.9 million in fund balance, reflecting a 4.2% increase from the budget for 2012-13. Property values were last reassessed by Orange County in 2009, with revaluation historically occurring every four years. Based on the scarcity of sales upon which to base a new valuation, Orange County has decided to delay revaluation until 2015-16. The Town added one cent to the property tax rates for the General Fund and Transit Fund for a total tax rate of 51.4 cents as shown below.

Adopted Tax Rate	Cents per \$100 valuation		
	FY12-13	FY13-14	\$ Change
General Fund	\$ 37.8	\$ 38.8	\$ 1.0
Debt Fund	7.5	7.5	-
Transit Fund	4.1	5.1	1.0
Total Tax Rate	\$ 49.4	\$ 51.4	\$ 2.0

Tax collection rates in Orange County have been maintained in excess of 99% despite the economic downturn. The continuation of collection rates, tax rate increase and recent growth lead to estimates of an increase of 3% or \$850,000 over 2012-13 for the General Fund. The delay in the issuance of approved bonds in 2010 allowed for the payoff of existing debt, and the savings achieved through refunding existing debt in FY12 and FY13 enabled the Debt Fund to meet debt service requirements with appropriated fund balance.

Sales taxes are budgeted at \$10.2 million, a 4% increase from 2012-13's budget as we anticipate a continuation of economic recovery. Occupancy taxes also reflect a 2.6% increase, along with 8.2% increases in charges for services, particularly in the Greater Chapel Hill Fire District fees. We expect continued increase in permits and licenses, while other General Fund revenues are relatively flat.

General Fund expenditures of \$54.8 million represent a 4.2% increase from 2012-13. The goals of the budget for 2013-14 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 economic recovery is expected to continue. The budget maintains service levels and includes a 4% increase in medical insurance costs, a reduction in retiree health costs, and a slight increase in the employer's contribution

Management's Discussion and Analysis

to the Local Government Employees Retirement System. The budget also includes funding for a 2% raise in employee pay, along with funding Phase I and II of the Class and Compensation Study.

The allocation for capital improvements, which has been reduced in recent years as a budget saving measure, was increased to \$758,500 from \$594,000, to allow for capital maintenance and some facility improvements. Costs for the June 30 flood restoration were not included in the adopted budget.

Debt service costs in 2013-14 are budgeted at \$7.4 million, while despite sequestration; the Build America Bonds entitle the Town to receive an interest subsidy of \$168,000 to recoup some of the expense. The Debt Service tax rate of \$7.5 cents per \$100 in valuation is expected to generate about \$5.4 million. The use of about \$856,000 in fund balance will provide for debt payments due in FY14.

Other governmental activities budgeted for 2013-14 reflect a continuation of existing service levels in keeping with the budget goals for FY14.

Business – type Activities:

The Transit Fund's 2013-14 budget of \$19.7 million continues the fare-free system with an increase in contributions from the system partners, the University of North Carolina and Town of Carrboro. With the additional cent on the tax rate, the Transit Fund's portion of property taxes is budgeted at \$3.7 million. The Transit budget includes \$472,000 in new vehicles fees levied by Orange County, and is balanced with a fund balance appropriation of \$87,000.

The 2013-14 budget for the Transit Fund includes continuation of a Bus Advertising program, and the addition of park and ride fees. Overall the Transit budget increased 5.8% over the 2012-13 budget.

The opening of the 140 West garage and an increase in parking fees led to an increase of 2.6% in operating revenues. Parking Facilities Fund budget is decreased 3% overall from 2012-13 based on the reduction in one-time costs associated with opening the 140 West garage, with the use of fund balance dropping from \$631,000 in 2012-13 to \$104,000 in 2013-14.

Housing Operating revenues reflect an increase in HUD contributions of 7.2% and an increase in rental income of 43%. One-time expenditures for the municipal fiber project decreased, reflected in the reduction in the use of \$87,000 in fund balance compared to \$453,000 in FY13.

Stormwater Management's budget for 2013-14 includes a rate increase from \$39 to \$48 per Equivalent Rate Unit, providing a 17.5% increase in fees budgeted. Expenditures include funding for a large capital project, a culvert replacement on Elliot Road totaling \$750,000, requiring the use of \$586,000 in fund balance.

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 POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 29,466,531	\$ 13,679,833	\$ 43,146,364	\$ 25,543,965
Taxes receivable, net	238,972	46,380	285,352	-
Accounts receivable, net	731,508	411,511	1,143,019	4,918,629
Due from other governments	5,753,523	2,793,932	8,547,455	-
Internal balances	3,730,298	(3,730,298)	-	-
Inventories	113,781	856,612	970,393	926,224
Prepaid items	19,863	524	20,387	268,837
Restricted cash and cash equivalents	1,630,108	69,121	1,699,229	6,662,395
Total current assets	<u>41,684,584</u>	<u>14,127,615</u>	<u>55,812,199</u>	<u>38,320,050</u>
Non-current assets:				
Restricted cash and cash equivalents	10,411,440	-	10,411,440	151,600
Capital assets (Note F):				
Land and construction in progress	31,926,511	6,969,038	38,895,549	30,660,723
Other capital assets, net of accumulated depreciation	90,455,342	46,643,907	137,099,249	260,879,851
Total capital assets	<u>122,381,853</u>	<u>53,612,945</u>	<u>175,994,798</u>	<u>291,540,574</u>
Total non-current assets	<u>132,793,293</u>	<u>53,612,945</u>	<u>186,406,238</u>	<u>291,692,174</u>
Total assets	<u>174,477,877</u>	<u>67,740,560</u>	<u>242,218,437</u>	<u>330,012,224</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	-	2,575,068
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,575,068</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,090,123	953,042	4,043,165	4,538,203
Liabilities payable from restricted assets	486,415	115,501	601,916	2,980,792
Current portion of long-term liabilities	7,807,355	559,846	8,367,201	5,942,745
Total current liabilities	<u>11,383,893</u>	<u>1,628,389</u>	<u>13,012,282</u>	<u>13,461,740</u>
Non-current liabilities:				
Due in more than one year	68,198,291	5,495,882	73,694,173	86,988,037
Total non-current liabilities	<u>68,198,291</u>	<u>5,495,882</u>	<u>73,694,173</u>	<u>86,988,037</u>
Total liabilities	<u>79,582,184</u>	<u>7,124,271</u>	<u>86,706,455</u>	<u>100,449,777</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	94,321	-	94,321	-
Total deferred inflows of resources	<u>94,321</u>	<u>-</u>	<u>94,321</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	71,955,972	53,612,945	125,568,917	206,109,733
Restricted for:				
Stabilization by State Statute	17,997,797	-	17,997,797	-
Capital projects	2,593,463	-	2,593,463	-
Public housing	450,450	-	450,450	-
Other functions	634,129	-	634,129	-
Water and sewer	-	-	-	151,600
Unrestricted	<u>1,169,561</u>	<u>7,003,344</u>	<u>8,172,905</u>	<u>25,876,182</u>
Total net position	<u>\$ 94,801,372</u>	<u>\$ 60,616,289</u>	<u>\$ 155,417,661</u>	<u>\$ 232,137,515</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, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 10,074,521	\$ 1,707,833	\$ -
Environment and development	32,680,272	2,801,220	2,474,971
Public safety	21,357,911	100,112	1,165,774
Leisure activities	11,191,585	1,031,436	531,466
Interest expense	2,880,837	-	-
Total governmental activities	<u>78,185,126</u>	<u>5,640,601</u>	<u>4,172,211</u>
Business-type activities:			
Transportation	21,819,683	1,354,987	15,385,447
Parking Facilities	1,940,918	2,125,253	-
Housing Operations	2,380,410	800,165	1,150,068
Stormwater Management	1,765,150	1,932,991	-
Total business-type activities	<u>27,906,161</u>	<u>6,213,396</u>	<u>16,535,515</u>
Total primary government	<u>\$ 106,091,287</u>	<u>\$ 11,853,997</u>	<u>\$ 20,707,726</u>
Component unit - Orange Water and Sewer Authority	<u>\$ 31,664,425</u>	<u>\$ 35,457,613</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 position

Net position - beginning of year

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (8,366,688)	\$ -	\$ (8,366,688)	\$ -
10,246,880	(17,157,201)	-	(17,157,201)	-
-	(20,092,025)	-	(20,092,025)	-
182,507	(9,446,176)	-	(9,446,176)	-
-	(2,880,837)	-	(2,880,837)	-
<u>10,429,387</u>	<u>(57,942,927)</u>	<u>-</u>	<u>(57,942,927)</u>	<u>-</u>
8,952,435	-	3,873,186	3,873,186	-
-	-	184,335	184,335	-
-	-	(430,177)	(430,177)	-
-	-	167,841	167,841	-
<u>8,952,435</u>	<u>-</u>	<u>3,795,185</u>	<u>3,795,185</u>	<u>-</u>
<u>\$ 19,381,822</u>	<u>(57,942,927)</u>	<u>3,795,185</u>	<u>(54,147,742)</u>	<u>-</u>
<u>\$ 420,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,213,439</u>
	33,306,516	2,987,412	36,293,928	-
	10,049,247	-	10,049,247	-
	981,716	-	981,716	-
	58,492	-	58,492	-
	3,990,640	-	3,990,640	-
	91,575	10,765	102,340	15,664
	<u>2,486,465</u>	<u>(930,194)</u>	<u>1,556,271</u>	<u>1,885,640</u>
	50,964,651	2,067,983	53,032,634	1,901,304
	<u>728,692</u>	<u>(728,692)</u>	<u>-</u>	<u>-</u>
	<u>51,693,343</u>	<u>1,339,291</u>	<u>53,032,634</u>	<u>1,901,304</u>
	(6,249,584)	5,134,476	(1,115,108)	6,114,743
	<u>101,050,956</u>	<u>55,481,813</u>	<u>156,532,769</u>	<u>226,022,772</u>
	<u>\$ 94,801,372</u>	<u>\$ 60,616,289</u>	<u>\$ 155,417,661</u>	<u>\$ 232,137,515</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.

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.

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 capital and 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, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Transit Grants		
ASSETS						
Cash and cash equivalents	\$ 21,166,250	\$ 1,754,700	\$ 342,449	\$ -	\$ 3,570,263	\$ 26,833,662
Receivables:						
Due from other funds	386,262	3,585,481	-	-	-	3,971,743
Property taxes, net	197,217	41,755	-	-	-	238,972
Governmental units and agencies	4,177,869	-	1,129,335	8,631	437,688	5,753,523
Other	480,484	-	89,050	-	10,000	579,534
Inventories	2,698	-	-	-	16,538	19,236
Prepaid items	19,863	-	-	-	-	19,863
Restricted cash and equivalents	-	-	9,644,823	30,779	735,838	10,411,440
TOTAL ASSETS	26,430,643	5,381,936	11,205,657	39,410	4,770,327	47,827,973
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 2,688	\$ 238,757	\$ 241,445
Accounts payable	1,355,608	-	276,104	-	304,539	1,936,251
Accrued liabilities	896,745	-	-	-	873	897,618
Accounts payable from restricted assets	-	-	-	5,592	205,376	210,968
Other liabilities payable from restricted	218,006	-	5,528	31,130	20,783	275,447
Total liabilities	2,470,359	-	281,632	39,410	770,328	3,561,729
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	197,217	41,756	-	-	-	238,973
Fees and charges receivable	140,964	-	-	-	-	140,964
Prepaid taxes	94,321	-	-	-	-	94,321
Total deferred inflows of resources	432,502	41,756	-	-	-	474,258

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Transit Grants		
FUND BALANCES						
Nonspendable						
Inventories	\$ 2,698	\$ -	\$ -	\$ -	\$ 16,538	\$ 19,236
Prepaid items	19,863	-	-	-	-	19,863
Restricted						
Stabilization by State Statute	6,697,509	3,585,480	4,937,874	13,727	2,763,207	17,997,797
Employee appreciation	96,179	-	-	-	-	96,179
Parks capital projects	28,776	-	5,090,878	-	65,929	5,185,583
Streets capital projects	122,215	-	3,455,873	-	-	3,578,088
Municipal buildings projects	-	-	1,887,561	-	-	1,887,561
Public housing	-	-	-	-	113,836	113,836
Public safety	181,091	-	-	-	8,179	189,270
Development	-	-	-	-	26,874	26,874
Library	-	-	408,713	-	331,495	740,208
Committed						
Debt service payments	-	5,340,180	-	-	-	5,340,180
Infrastructure capital projects	-	-	-	-	241,783	241,783
Fire capital projects	-	-	-	-	844,189	844,189
Public housing	-	-	-	-	336,614	336,614
Economic development	121,811	-	81,000	-	79,896	282,707
Assigned						
Subsequent year's expenditures	1,986,150	-	-	-	12,151	1,998,301
Other post employment benefits	1,200,000	-	-	-	-	1,200,000
Parks capital projects	-	-	-	-	91,388	91,388
Workforce Development	60,566	-	-	-	-	60,566
Municipal buildings projects	-	-	-	-	583,292	583,292
Economic development	126,927	-	-	-	-	126,927
Technology capital projects	-	-	-	-	68,768	68,768
Unassigned	12,883,997	(3,585,480)	(4,937,874)	(13,727)	(1,584,140)	2,762,776
Total fund balances	<u>23,527,782</u>	<u>5,340,180</u>	<u>10,924,025</u>	<u>-</u>	<u>3,999,999</u>	<u>43,791,986</u>
TOTAL LIABILITIES, DEFERRED						
INFLOWS AND FUND BALANCES	<u>\$ 26,430,643</u>	<u>\$ 5,381,936</u>	<u>\$ 11,205,657</u>	<u>\$ 39,410</u>	<u>\$ 4,770,327</u>	<u>\$ 47,827,973</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 POSITION
JUNE 30, 2013

Fund balances - total governmental funds	\$ 43,791,986
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Amounts reported for governmental activities in the Statement of Net Position 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	175,385,233	
Less accumulated depreciation	<u>57,454,936</u>	117,930,297

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

Governmental bonds payable, certificates of participation and installment purchases	(57,510,000)	
Other postemployment benefits	(11,482,397)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(239,126)	
Accrued vacation payable	<u>(2,339,224)</u>	(71,693,893)

Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.

379,937

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		<u>4,393,045</u>
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Net position of governmental activities	<u>\$ 94,801,372</u>
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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, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Transit Grants		
REVENUES						
Taxes	\$ 38,698,385	\$ 5,468,714	\$ -	\$ -	\$ 228,872	\$ 44,395,971
Licenses and permits	2,369,155	-	-	-	-	2,369,155
Fines and forfeitures	36,477	-	-	-	-	36,477
Intergovernmental revenues						
Federal government	55,228	182,507	1,375,143	7,523,665	1,468,217	10,604,760
State government	6,581,625	-	-	750,725	60,375	7,392,725
Other	503,004	-	34,925	3,421	53,403	594,753
Charges for services	3,134,170	-	-	(235)	-	3,133,935
Interest on investments	19,293	58,110	10,894	-	3,278	91,575
Franchise rental fees	-	-	-	-	57,987	57,987
Program income	-	-	-	-	43,047	43,047
Donations	308,325	-	522,680	-	828,210	1,659,215
Revenue in lieu	13,905	-	53,105	-	1,500	68,510
Mutual aid reimbursements	518,489	-	-	-	-	518,489
Other	239,554	-	-	-	697	240,251
Total revenues	52,477,610	5,709,331	1,996,747	8,277,576	2,745,586	71,206,850
EXPENDITURES						
General government	9,493,289	-	-	-	-	9,493,289
Environment and development	12,586,543	-	-	-	1,812,037	14,398,580
Public safety	19,516,889	-	-	-	30,579	19,547,468
Leisure activities	8,001,159	-	-	-	718,621	8,719,780
Capital projects	-	-	18,833,114	9,072,020	1,280,188	29,185,322
Debt service:						
Principal	-	4,995,000	-	-	-	4,995,000
Interest and fiscal charges	-	2,294,854	-	-	-	2,294,854
Advance refunding escrow	-	344,867	-	-	-	344,867
Bond issuance costs	-	241,116	-	-	-	241,116
Total expenditures	49,597,880	7,875,837	18,833,114	9,072,020	3,841,425	89,220,276
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,879,730	(2,166,506)	(16,836,367)	(794,444)	(1,095,839)	(18,013,426)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Transit Grants		
OTHER FINANCING SOURCES (USES)						
Issuance of debt	\$ -	\$ -	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Issuance of refunding bonds	-	3,050,000	-	-	-	3,050,000
Payment to refunded bonds escrow agent	-	(2,700,000)	-	-	-	(2,700,000)
Transfer from other funds	175,137	875,663	73,484	446,944	1,777,334	3,348,562
Transfer to other funds	(1,781,386)	-	-	(720,000)	(118,484)	(2,619,870)
Total other financing sources (uses)	<u>(1,606,249)</u>	<u>1,225,663</u>	<u>1,773,484</u>	<u>(273,056)</u>	<u>1,658,850</u>	<u>2,778,692</u>
NET CHANGE IN TOTAL FUND BALANCES	1,273,481	(940,843)	(15,062,883)	(1,067,500)	563,011	(15,234,734)
FUND BALANCES, BEGINNING	<u>22,254,301</u>	<u>6,281,023</u>	<u>25,986,908</u>	<u>1,067,500</u>	<u>3,436,988</u>	<u>59,026,720</u>
FUND BALANCES, ENDING	<u>\$ 23,527,782</u>	<u>\$ 5,340,180</u>	<u>\$ 10,924,025</u>	<u>\$ -</u>	<u>\$ 3,999,999</u>	<u>\$ 43,791,986</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, 2013

Net change in fund balances - total governmental funds \$ (15,234,734)

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	18,100,868	
Current year's depreciation	<u>5,716,702</u>	12,384,166

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net position. (2,972,601)

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 position.

Principal payments		7,695,000
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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 position. (4,750,000)

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		(22,946)
Change in long-term separation allowance		7,522
Other postemployment benefits		(3,630,850)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (76,993)

Internal service funds are used by management to charge the costs of certain activities to individual funds

	<u>351,852</u>
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Change in net position of governmental activities \$ (6,249,584)

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, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 27,680,000	\$ 27,680,000	\$ 27,608,930	\$ (71,070)
Local option sales taxes	9,870,000	9,870,000	10,049,247	179,247
Other taxes	987,000	987,000	1,040,208	53,208
Licenses and permits	1,691,988	1,813,594	2,369,155	555,561
Fines and forfeitures	32,825	32,825	36,477	3,652
Intergovernmental revenues	6,961,883	7,194,851	7,139,857	(54,994)
Charges for services	3,044,721	3,194,721	3,134,170	(60,551)
Interest on investments	20,000	20,000	19,293	(707)
Other	525,450	892,317	1,080,273	187,956
TOTAL REVENUES	50,813,867	51,685,308	52,477,610	792,302
EXPENDITURES				
General government	9,791,785	11,558,611	9,493,289	2,065,322
Environment and development	12,904,050	13,868,717	12,586,543	1,282,174
Public safety	20,433,094	20,836,463	19,516,889	1,319,574
Leisure activities	8,380,697	8,735,311	8,001,159	734,152
Total expenditures	51,509,626	54,999,102	49,597,880	5,401,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(695,759)	(3,313,794)	2,879,730	6,193,524
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	221,511	221,511	175,137	(46,374)
Transfer to other funds	(1,054,374)	(2,296,746)	(1,781,386)	515,360
Appropriated fund balance	1,528,622	5,389,029	-	(5,389,029)
Total other financing sources (uses)	695,759	3,313,794	(1,606,249)	(4,920,043)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ 1,273,481	\$ 1,273,481
FUND BALANCE, BEGINNING			22,254,301	
FUND BALANCE, ENDING			\$ 23,527,782	

TOWN OF CHAPEL HILL, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,275,441	\$ 1,461,957	\$ 3,355,433	\$ 1,587,002
Restricted cash and cash equivalents	-	-	67,521	1,600
Receivables:				
Accounts receivable, net	105,274	22,621	29,325	254,291
Due from other funds	2,688	-	-	-
Governmental units and agencies	2,788,626	-	-	5,306
Property taxes, net	46,380	-	-	-
Prepaid items	524	-	-	-
Inventories	678,138	-	178,474	-
Total current assets	<u>10,897,071</u>	<u>1,484,578</u>	<u>3,630,753</u>	<u>1,848,199</u>
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,161,115	1,708,386	-
Other capital assets, net of accumulated depreciation	37,345,085	960,598	7,450,823	887,401
Total capital assets, net	<u>39,444,622</u>	<u>4,121,713</u>	<u>9,159,209</u>	<u>887,401</u>
Total noncurrent assets	<u>39,444,622</u>	<u>4,121,713</u>	<u>9,159,209</u>	<u>887,401</u>
TOTAL ASSETS	<u>50,341,693</u>	<u>5,606,291</u>	<u>12,789,962</u>	<u>2,735,600</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	416,018	52,212	148,781	43,539
Accrued liabilities	234,451	12,662	19,517	25,862
Deposits payable from restricted assets	-	-	67,521	1,600
Due to other funds	-	3,585,481	147,505	-
Compensated absences	423,262	35,349	51,290	49,945
Unearned revenue	46,380	-	-	-
Installment purchase agreements	-	-	-	-
Total current liabilities	<u>1,120,111</u>	<u>3,685,704</u>	<u>434,614</u>	<u>120,946</u>
NONCURRENT LIABILITIES				
Compensated absences	-	9,378	13,495	8,297
Other postemployment benefits	4,368,550	334,310	390,172	371,680
Installment purchase agreements	-	-	-	-
Total noncurrent liabilities	<u>4,368,550</u>	<u>343,688</u>	<u>403,667</u>	<u>379,977</u>
Total liabilities	<u>5,488,661</u>	<u>4,029,392</u>	<u>838,281</u>	<u>500,923</u>
NET POSITION				
Net investment in capital assets	39,444,622	4,121,713	9,159,209	887,401
Unrestricted	5,408,410	(2,544,814)	2,792,472	1,347,276
Total net position	<u>\$ 44,853,032</u>	<u>\$ 1,576,899</u>	<u>\$ 11,951,681</u>	<u>\$ 2,234,677</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2013	2012	2013	2012
\$ 13,679,833	\$ 12,903,704	\$ 2,632,869	\$ 3,656,840
69,121	65,981	1,630,108	887,283
411,511	312,380	151,974	31,231
2,688	-	-	-
2,793,932	380,055	-	-
46,380	23,560	-	-
524	78,045	-	-
856,612	821,615	94,545	111,361
<u>17,860,601</u>	<u>14,585,340</u>	<u>4,509,496</u>	<u>4,686,715</u>
6,969,038	6,974,736	-	-
<u>46,643,907</u>	<u>43,854,919</u>	<u>4,451,556</u>	<u>4,084,080</u>
<u>53,612,945</u>	<u>50,829,655</u>	<u>4,451,556</u>	<u>4,084,080</u>
<u>53,612,945</u>	<u>50,829,655</u>	<u>4,451,556</u>	<u>4,084,080</u>
<u>71,473,546</u>	<u>65,414,995</u>	<u>8,961,052</u>	<u>8,770,795</u>
660,550	407,423	244,725	99,004
292,492	343,581	11,529	12,659
69,121	65,981	-	-
3,732,986	4,600,981	-	-
559,846	597,910	27,388	29,891
46,380	82,835	-	-
-	-	990,168	1,248,975
<u>5,361,375</u>	<u>6,098,711</u>	<u>1,273,810</u>	<u>1,390,529</u>
31,170	5,796	7,559	2,141
5,464,712	3,828,675	209,140	145,466
-	-	3,077,498	3,191,466
<u>5,495,882</u>	<u>3,834,471</u>	<u>3,294,197</u>	<u>3,339,073</u>
<u>10,857,257</u>	<u>9,933,182</u>	<u>4,568,007</u>	<u>4,729,602</u>
53,612,945	50,829,655	2,013,998	530,922
7,003,344	4,652,158	2,379,047	3,510,271
<u>\$ 60,616,289</u>	<u>\$ 55,481,813</u>	<u>\$ 4,393,045</u>	<u>\$ 4,041,193</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 937,872	\$ 2,125,253	\$ 800,165	\$ 1,932,991
OPERATING EXPENSES				
Personnel	11,567,717	851,100	1,001,422	1,097,727
Drainage maintenance	-	-	-	283,912
Depreciation and amortization	4,311,510	441,636	572,344	54,024
Fuel and tires	2,035,619	-	-	-
Indirect costs	968,521	74,285	-	95,667
Maintenance and repairs	-	25,124	471,873	-
Building maintenance	394,921	-	-	-
Vehicle maintenance	1,365,343	-	-	-
Utilities	-	-	160,834	-
Insurance	357,006	-	-	-
Advertising and marketing	89,275	-	-	-
Professional services	-	-	-	81,249
Tarheel Express	226,342	-	-	-
Uniforms and supplies	83,694	-	-	-
Credit card fees	-	84,612	-	-
Rent	-	187,055	-	54,670
Other	419,735	277,106	173,937	97,901
Total operating expenses	21,819,683	1,940,918	2,380,410	1,765,150
OPERATING INCOME (LOSS)	(20,881,811)	184,335	(1,580,245)	167,841
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	4,234,561	-	1,150,068	-
State Operating Assistance Grant	2,768,076	-	-	-
Local Operating Assistance Grant	12,000	-	-	-
Operating assistance-UNC Chapel Hill	7,084,096	-	-	-
Operating assistance-Town of Carrboro	1,286,714	-	-	-
Vehicle licenses	417,115	-	-	-
Ad valorem taxes	2,987,412	-	-	-
Interest on investments	5,021	2,365	2,038	1,341
Insurance recovery	35,916	6,700	-	-
Interest expense	-	-	-	-
Gain (loss) on sale of capital assets	(976,210)	-	-	-
Bond issuance expense	-	-	-	-
Revenue in lieu	3,400	-	-	-
Total nonoperating revenues (expenses), net	17,858,101	9,065	1,152,106	1,341
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,023,710)	193,400	(428,139)	169,182
CAPITAL CONTRIBUTIONS	8,952,435	-	-	-
TRANSFERS				
Transfers in	720,000	-	-	5,231
Transfers out	(448,123)	(1,005,800)	-	-
Total transfers	271,877	(1,005,800)	-	5,231
CHANGE IN NET POSITION	6,200,602	(812,400)	(428,139)	174,413
NET POSITION, BEGINNING	38,652,430	2,389,299	12,379,820	2,060,264
NET POSITION, ENDING	\$ 44,853,032	\$ 1,576,899	\$ 11,951,681	\$ 2,234,677

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2013	2012	2013	2012
\$ 5,796,281	\$ 5,428,842	\$ 2,928,600	\$ 2,810,458
14,517,966	14,560,130	592,577	637,741
283,912	228,162	-	-
5,379,514	4,974,152	1,275,047	1,301,462
2,035,619	1,817,075	-	-
1,138,473	1,156,020	-	-
496,997	435,781	-	-
394,921	453,061	-	-
1,365,343	1,481,777	-	-
160,834	169,855	-	-
357,006	347,262	-	-
89,275	59,203	-	-
81,249	149,413	-	-
226,342	226,056	-	-
83,694	113,331	-	-
84,612	74,006	-	-
241,725	184,997	-	-
968,679	957,899	705,134	699,319
27,906,161	27,388,180	2,572,758	2,638,522
(22,109,880)	(21,959,338)	355,842	171,936
5,384,629	1,766,095	-	29,711
2,768,076	3,419,853	-	-
12,000	-	-	-
7,084,096	5,930,168	-	-
1,286,714	1,032,825	-	-
417,115	434,475	-	-
2,987,412	2,965,320	-	-
10,765	8,709	4,090	2,472
42,616	90,188	23,072	7,938
-	(309,217)	(109,282)	(143,679)
(976,210)	(97,448)	78,130	85,199
-	(206,833)	-	-
3,400	10,000	-	-
19,020,613	15,044,135	(3,990)	(18,359)
(3,089,267)	(6,915,203)	351,852	153,577
8,952,435	2,884,220	-	-
725,231	4,464	-	675
(1,453,923)	(1,484,519)	-	-
(728,692)	(1,480,055)	-	675
5,134,476	(5,511,038)	351,852	154,252
55,481,813	60,992,851	4,041,193	3,886,941
\$ 60,616,289	\$ 55,481,813	\$ 4,393,045	\$ 4,041,193

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ (1,449,859)	\$ 2,126,306	\$ 785,209	\$ 1,799,249
Payments to employees	(10,356,228)	(755,121)	(870,155)	(1,000,659)
Payments to suppliers	(5,735,864)	(620,821)	(743,056)	(613,289)
Net cash provided by (used in) operating activities	<u>(17,541,951)</u>	<u>750,364</u>	<u>(828,002)</u>	<u>185,301</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grant funds received	7,014,637	-	1,150,068	-
Operating assistance received	8,370,810	-	-	-
Taxes and licenses received	3,404,527	-	-	-
Transfers to other funds	(448,123)	(1,005,800)	-	-
Transfers from other funds	720,000	-	-	5,231
Loan from special revenue fund	-	-	7,668	-
Loan from debt service fund	-	3,585,481	-	-
Revenue in lieu received	3,400	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>19,065,251</u>	<u>2,579,681</u>	<u>1,157,736</u>	<u>5,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	(4,461,144)	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Gain on disposal of capital assets	29,241	-	-	-
Capital contributions	8,952,435	-	-	-
Proceeds from insurance recovery	35,916	6,700	-	-
Acquisition and construction of capital assets	(8,959,885)	(109,465)	(98,905)	-
Net cash provided by (used in) capital and related financing activities	<u>57,707</u>	<u>(4,563,909)</u>	<u>(98,905)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	5,021	2,365	2,038	1,341
Net cash provided by investing activities	<u>5,021</u>	<u>2,365</u>	<u>2,038</u>	<u>1,341</u>

Continued

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2013	2012	2013	2012
\$ 3,260,905	\$ 7,173,764	\$ 2,807,857	\$ 2,817,801
(12,982,163)	(13,565,231)	(527,118)	(588,755)
<u>(7,713,030)</u>	<u>(8,231,561)</u>	<u>(542,597)</u>	<u>(883,903)</u>
<u>(17,434,288)</u>	<u>(14,623,028)</u>	<u>1,738,142</u>	<u>1,345,143</u>
8,164,705	5,185,948	-	29,711
8,370,810	6,962,993	-	-
3,404,527	3,399,795	-	-
(1,453,923)	(1,484,519)	-	-
725,231	4,464	-	675
7,668	139,837	-	-
3,585,481	4,461,144	-	-
<u>3,400</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<u>22,807,899</u>	<u>18,679,662</u>	<u>-</u>	<u>30,386</u>
-	-	876,200	887,000
(4,461,144)	(4,615,000)	(1,248,975)	(1,604,075)
-	(309,217)	(109,282)	(143,679)
-	-	99,352	89,825
29,241	2,710	-	-
8,952,435	2,884,220	-	-
42,616	90,188	23,072	7,938
<u>(9,168,255)</u>	<u>(3,058,855)</u>	<u>(1,663,745)</u>	<u>(896,971)</u>
<u>(4,605,107)</u>	<u>(4,799,121)</u>	<u>(2,023,378)</u>	<u>(1,659,962)</u>
<u>10,765</u>	<u>8,709</u>	<u>4,090</u>	<u>2,472</u>
<u>10,765</u>	<u>8,709</u>	<u>4,090</u>	<u>2,472</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,586,028	(1,231,499)	232,867	191,873
CASH AND INVESTMENTS, BEGINNING	<u>5,689,413</u>	<u>2,693,456</u>	<u>3,190,087</u>	<u>1,396,729</u>
CASH AND INVESTMENTS, ENDING	<u>\$ 7,275,441</u>	<u>\$ 1,461,957</u>	<u>\$ 3,422,954</u>	<u>\$ 1,588,602</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (20,881,811)	\$ 184,335	\$ (1,580,245)	\$ 167,841
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,311,510	441,636	572,344	54,024
Changes in assets and liabilities:				
Receivables	(2,387,731)	1,053	(18,096)	(133,742)
Prepaid items	73,076	-	-	4,445
Inventories	(6,699)	-	(28,298)	-
Deferred charges	-	-	-	-
Accounts payable	138,215	27,361	91,886	(4,335)
Accrued liabilities	(80,619)	(629)	791	(7,087)
Customer deposits	-	-	3,140	-
Accrued compensated absences	(26,333)	5,201	4,466	3,976
Accrued OPEB liability	<u>1,318,441</u>	<u>91,407</u>	<u>126,010</u>	<u>100,179</u>
Net cash provided by (used in) operating activities	<u>\$ (17,541,951)</u>	<u>\$ 750,364</u>	<u>\$ (828,002)</u>	<u>\$ 185,301</u>
Significant non-cash transactions:				
Loss on disposal of capital assets - Transit Fund	\$ 1,005,451			

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

Enterprise Funds		Internal Service Funds	
Comparative Totals		Comparative Totals	
2013	2012	2013	2012
779,269	(733,778)	(281,146)	(281,961)
<u>12,969,685</u>	<u>13,703,463</u>	<u>4,544,123</u>	<u>4,826,084</u>
<u>\$ 13,748,954</u>	<u>\$ 12,969,685</u>	<u>\$ 4,262,977</u>	<u>\$ 4,544,123</u>
\$ (22,109,880)	\$ (21,959,338)	\$ 355,842	\$ 171,936
5,379,514	4,974,152	1,275,047	1,301,462
(2,538,516)	1,740,661	(120,743)	7,343
77,521	(73,462)	-	-
(34,997)	(139,357)	16,816	70,411
-	(206,833)	-	-
253,127	(177,139)	145,721	(254,320)
(87,544)	(382,678)	(1,130)	(18,213)
3,140	4,261	-	-
(12,690)	(33,797)	2,915	(4,153)
<u>1,636,037</u>	<u>1,630,502</u>	<u>63,674</u>	<u>70,677</u>
<u>\$ (17,434,288)</u>	<u>\$ (14,623,028)</u>	<u>\$ 1,738,142</u>	<u>\$ 1,345,143</u>

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 following is a summary of the most significant accounting policies:

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 position 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 – This 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.

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.

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 homeownership 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.

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.

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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred inflows of resources. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2013-2014 fiscal year and are not shown as receivables at June 30, 2013.

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 position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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, 2013.

The Council's schedule for developing the 2012-13 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 March 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 25, 2012.

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	
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 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 Library Gift Fund, Community Development Entitlement Project Ordinance Fund, Public Housing Capital Projects Fund and Transit Grants Project Ordinance Fund.

7. Restricted Assets

Certain unspent proceeds of the limited obligation bonds, 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 position 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, 2012.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not currently have any items that meet the criterion for this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category – prepaid taxes, fees and charges receivable and property taxes receivable.

	Unavailable Revenue	Unearned Revenue
Prepaid taxes	\$ -	\$ 94,321
Fees and charges receivable	140,964	-
Property taxes receivable	238,973	-
	<u>\$ 379,937</u>	<u>\$ 94,321</u>

15. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 expensed in the reporting period in which they are incurred.

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.

16. 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, 2013, OWASA had recorded a liability for accrued vacation of \$481,203.

The sick leave policy for the Town and OWASA provide for an 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.

17. Net Position and Fund Balances

Net position in governmental-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. At year-end, restricted net position 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, Streets and Municipal Buildings Capital Projects – portion of fund balance that is restricted by revenue source to providing parks, buildings 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 Development – portion of fund balance that is restricted by revenue source for support of development 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 formal action of the Town's highest level of decision-making authority, the Town Council. The Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation remains in place until similar action is taken by the governing board (adoption of another ordinance) to remove or revise the limitation.

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 economic development – portion of fund balance directed by Town Council to development-related studies and capital projects.

Committed for infrastructure and fire 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 workforce development – portion of fund balance that has been budgeted for planning for the development of the workforce to provide Town services.

Assigned for economic development – portion of fund balance that has been budgeted for economic development, including revisions to the land use management ordinance.

Assigned for parks, technology and municipal building capital projects – portion of fund balance that has been budgeted for capital projects for technology, parks and municipal buildings.

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 to 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, 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 June 30, 2013, the Town's deposits had a carrying amount of \$30,127,320 and a bank balance of \$31,298,828. Of the bank balance, \$500,379 was covered by federal depository insurance, \$3,315,247 was covered by collateral held under the Dedicated Method and \$27,483,202 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$7,258 at year end.

At year-end, OWASA's deposits had a carrying amount of \$25,663,977 and a bank balance of \$25,953,486. Of the bank balance, \$2,272,655 was covered by federal depository insurance and \$23,680,831 in interest-bearing deposits was covered by collateral held under the pooling method. OWASA had cash on hand of \$1,190 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, 2013, the Town's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
CDARS – Mechanics & Farmers Bank	\$15,005,824	August 22, 2013 & 5-Dec-13	N/A
NC Capital Management Trust – Cash Portfolio	10,116,631	N/A	AAAm
Total:	\$25,122,455		

At June 30, 2013, OWASA had \$6,692,793 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 .3 years as of June 30, 2013.

Credit risk. The Town and OWASA do not have a formal policy regarding credit risk, but there are internal management procedures that limit the Town's investments to the provisions of G.S. 159-30. 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, 2013.

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, 2013 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 672,814	\$ -
Due from Federal Government	1,065,014	2,076,800
Due from State	3,912,341	604,584
Due from local governments	103,354	112,548
	<u>\$ 5,753,523</u>	<u>\$ 2,793,932</u>

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

Property taxes receivable	\$ 342,241	\$ -
Accounts receivable	7,002	25,005

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2013 follows:

	July 1, 2012	Increases	Decreases	June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,001,106	\$ -	\$ -	\$ 27,001,106
Easements	78,159	131	-	78,290
Construction in progress	10,337,415	17,705,223	23,195,523	4,847,115
Total capital assets, not being depreciated	<u>37,416,680</u>	<u>17,705,354</u>	<u>23,195,523</u>	<u>31,926,511</u>
Capital assets, being depreciated:				
Land improvements	18,544,815	1,520,195	-	20,065,010
Infrastructure	36,439,128	-	-	36,439,128
Buildings and building improvements	63,334,212	21,682,022	4,940,370	80,075,864
Equipment	5,822,508	388,820	641,076	5,570,252
Vehicles	13,772,445	1,663,745	458,771	14,977,419
Total capital assets, being depreciated	<u>137,913,108</u>	<u>25,254,782</u>	<u>6,040,217</u>	<u>157,127,673</u>
Accumulated depreciation:				
Land improvements	4,439,052	913,925	-	5,352,977
Infrastructure	20,543,316	1,457,565	-	22,000,881
Buildings and building improvements	23,443,760	3,017,711	1,980,593	24,480,878
Equipment	4,835,431	272,596	628,252	4,479,775
Vehicles	9,465,417	1,329,952	437,549	10,357,820
Total accumulated depreciation	<u>62,726,976</u>	<u>6,991,749</u>	<u>3,046,394</u>	<u>66,672,331</u>
Total capital assets, being depreciated, net	<u>75,186,132</u>	<u>18,263,033</u>	<u>2,993,823</u>	<u>90,455,342</u>
Governmental activities capital assets, net	<u>\$ 112,602,812</u>	<u>\$ 35,968,387</u>	<u>\$ 26,189,346</u>	<u>\$ 122,381,853</u>

	July 1, 2012	Increases	Decreases	June 30, 2013
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	2,060,328	7,450	-	2,067,778
Vehicles	34,266,590	8,952,435	2,663,701	40,555,324
Total capital assets, being depreciated	<u>59,924,810</u>	<u>8,959,885</u>	<u>2,663,701</u>	<u>66,220,994</u>
Accumulated depreciation:				
Land improvements	3,343,157	187,134	-	3,530,291
Buildings and building improvements	4,184,891	816,738	-	5,001,629
Equipment	1,309,558	218,245	-	1,527,803
Vehicles	17,385,043	3,089,393	1,658,250	18,816,186
Total accumulated depreciation	<u>26,222,649</u>	<u>4,311,510</u>	<u>1,658,250</u>	<u>28,875,909</u>
Total capital assets, being depreciated, net	<u>33,702,161</u>	<u>4,648,375</u>	<u>1,005,451</u>	<u>37,345,085</u>
Transit fund capital assets, net	<u>\$ 35,801,698</u>	<u>\$ 4,648,375</u>	<u>\$ 1,005,451</u>	<u>\$ 39,444,622</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
CIP	12,425	-	12,425	-
Total capital assets, not being depreciated	<u>3,173,540</u>	<u>-</u>	<u>12,425</u>	<u>3,161,115</u>
Capital assets, being depreciated:				
Land improvements	421,711	65,160	-	486,871
Buildings and building improvements	7,284,441	-	-	7,284,441
Equipment	620,295	56,730	-	677,025
Total capital assets, being depreciated	<u>8,326,447</u>	<u>121,890</u>	<u>-</u>	<u>8,448,337</u>
Accumulated depreciation:				
Land improvements	359,227	11,310	-	370,537
Buildings and building improvements	6,372,032	364,139	-	6,736,171
Equipment	314,844	66,187	-	381,031
Total accumulated depreciation	<u>7,046,103</u>	<u>441,636</u>	<u>-</u>	<u>7,487,739</u>
Total capital assets, being depreciated, net	<u>1,280,344</u>	<u>(319,746)</u>	<u>-</u>	<u>960,598</u>
Parking facilities fund capital assets, net	<u>\$ 4,453,884</u>	<u>\$ (319,746)</u>	<u>\$ 12,425</u>	<u>\$ 4,121,713</u>

	July 1, 2012	Increases	Decreases	June 30, 2013
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
CIP	-	6,727	-	6,727
Total capital assets, not being depreciated	<u>1,701,659</u>	<u>6,727</u>	<u>-</u>	<u>1,708,386</u>
Capital assets, being depreciated:				
Land improvements	323,376	-	-	323,376
Buildings and building improvements	20,496,087	65,688	-	20,561,775
Equipment	355,028	-	-	355,028
Vehicles	210,026	26,490	-	236,516
Total capital assets, being depreciated	<u>21,384,517</u>	<u>92,178</u>	<u>-</u>	<u>21,476,695</u>
Accumulated depreciation:				
Land improvements	206,792	16,169	-	222,961
Buildings and building improvements	12,685,438	551,565	-	13,237,003
Equipment	355,028	-	-	355,028
Vehicles	206,270	4,610	-	210,880
Total accumulated depreciation	<u>13,453,528</u>	<u>572,344</u>	<u>-</u>	<u>14,025,872</u>
Total capital assets, being depreciated, net	<u>7,930,989</u>	<u>(480,166)</u>	<u>-</u>	<u>7,450,823</u>
Housing operating fund capital assets, net	<u>\$ 9,632,648</u>	<u>\$ (473,439)</u>	<u>\$ -</u>	<u>\$ 9,159,209</u>
Stormwater Management Fund:				
Capital assets, being depreciated:				
Land improvements	987,878	-	-	987,878
Equipment	19,325	-	-	19,325
Total capital assets, being depreciated	<u>1,007,203</u>	<u>-</u>	<u>-</u>	<u>1,007,203</u>
Accumulated depreciation:				
Land improvements	60,037	51,263	-	111,300
Equipment	5,741	2,761	-	8,502
Total accumulated depreciation	<u>65,778</u>	<u>54,024</u>	<u>-</u>	<u>119,802</u>
Total capital assets, being depreciated, net	<u>941,425</u>	<u>(54,024)</u>	<u>-</u>	<u>887,401</u>
Stormwater management fund capital assets, net	<u>\$ 941,425</u>	<u>\$ (54,024)</u>	<u>\$ -</u>	<u>\$ 887,401</u>
Business-type activities capital assets, net	<u>\$ 50,829,655</u>	<u>\$ 3,901,711</u>	<u>\$ 1,118,421</u>	<u>\$ 53,612,945</u>

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

Governmental activities:	
General government	\$ 95,900
Environment and development	3,548,829
Public safety	210,578
Leisure activities	1,861,395
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,275,047
Total depreciation expense - governmental activities	\$ 6,991,749
Business-type activities:	
Transit	\$ 4,311,510
Parking facilities	441,636
Housing Operating	572,344
Stormwater Management	54,024
Total depreciation expense - business-type activities	\$ 5,379,514

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2013, follows:

	July 1, 2012	Increases	Decreases	Transfers	June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 17,529,092	\$ 58,749	\$ -		\$ 17,587,841
Construction in progress	7,448,426	8,609,348	-	(2,984,892)	13,072,882
Total capital assets, not being depreciated	24,977,518	8,668,097	-	(2,984,892)	30,660,723
Capital assets, being depreciated:					
Water treatment and distribution	151,796,260	273,123	-	2,121,296	154,190,679
Sewer collection and treatment	193,312,286	220,961	-	836,604	194,369,851
Fixtures and equipment	41,289,904	191,114	6,164	26,992	41,501,846
Total capital assets, being depreciated	386,398,450	685,198	6,164	2,984,892	390,062,376
Less accumulated depreciation for:					
Water treatment and distribution	46,704,505	3,493,819	-	-	50,198,324
Sewer collection and treatment	46,751,527	4,235,435	-	-	50,986,962
Fixtures and equipment	26,217,748	1,785,655	6,164	-	27,997,239
Total accumulated depreciation	119,673,780	9,514,909	6,164	-	129,182,525
Total capital assets, being depreciated, net	266,724,670	(8,829,711)	-	2,984,892	260,879,851
Total capital assets, net	\$ 291,702,188	\$ (161,614)	\$ -	\$ -	\$ 291,540,574

Net investment in capital assets for the Town's governmental activities is as follows:

Capital Assets	\$ 175,385,233
Depreciation	(57,454,936)
	<u>117,930,297</u>
Internal service fund capital assets, net of depreciation	4,451,556
Total Capital Assets, net	<u>\$ 122,381,853</u>
Debt:	
Short-term portion of debt	\$ 7,807,355
Long-term portion of debt	68,198,291
Total Debt	<u>76,005,646</u>
Less Separation allowance (unrelated to capital)	(239,126)
Less Compensated absences (unrelated to capital)	(2,374,171)
Less Other Postemployment Benefits (unrelated to capital)	(11,691,537)
Unspent proceeds, governmental funds	(9,644,823)
Unspent proceeds, internal service funds	(1,630,108)
Capital Related Debt	<u>50,425,881</u>
Net investment in capital assets	<u>\$ 71,955,972</u>

Net investment in capital assets for the Town's business-type activities is as follows:

Total Capital Assets, net	<u>\$ 53,612,945</u>
Debt:	
Short-term portion of debt	559,846
Long-term portion of debt	5,495,882
Total Debt	<u>6,055,728</u>
Less Compensated Absences (unrelated to capital)	(591,016)
Less Other Postemployment Benefits (unrelated to capital)	(5,464,712)
Capital Related Debt	<u>-</u>
Net investment in capital assets	<u>\$ 53,612,945</u>

F. Long-Term Debt

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2013 is as follows:

Governmental Activities:	Outstanding
<i>General obligation bonds</i>	
\$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%	\$ 200,000
\$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%	750,000
\$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%	2,295,000
\$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%	6,120,000
\$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
\$4,655,000 Refunding 1996, 2003 and 2004 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, open space and greenways and public buildings and facilities - 2012 refunding serial bonds payable in annual installments of \$115,000 to \$605,000 through 2025; interest at 2% to 4%	4,540,000
\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	1,615,000
\$3,050,000 - Refunding 2006 bond issue for sidewalk construction and improvement, pedestrian amenities and streetscaping, library facilities, open space acquisition and trail improvements - 2013 refunding serial bonds payable in annual installments of \$34,000 to \$296,000 through 2027; interest at 1.77%	3,050,000
<i>Total general obligation bonds</i>	\$ 30,820,000

Limited Obligation Bonds

\$28,800,000 - Limited Obligation Bonds to refinance installment notes payable to Bank of America and SunTrust Bank for renovations to parks facilities, to refinance Certificates of Participation that were used to finance the acquisition and construction of the Town Operations Center, to finance the acquisition of parking space in a parking deck to be constructed within a mixed-use development, and to finance improvements to Town facilities including the Wallace Deck and Town Operations Center - 2012 series limited obligation bonds payable in annual installments at \$445,000 to \$2,215,000; interest at 2% to 5%	<u>\$ 26,585,000</u>
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Installment Notes Payables

Construction and renovation of facilities:	
\$1,050,000 - to renovate various municipal facilities	\$ 105,000
Wachovia Bank installment purchase contract entered into April 2004 due in varying annual installments through 2014; interest at 2.92%	
Purchase of fleet replacement vehicles:	
\$1,870,800 -	296,595
SunTrust Bank installment purchase contract entered into November 2007 payable in annual installments of \$304,600 through 2014; interest at 3.59%	
\$1,604,000 -	958,274
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 -	1,169,895
Bank of America installment purchase contract entered into February 2011 payable in annual installments of \$249,764 through 2018; interest at 2.41%	
\$887,000 -	766,702
BB&T installment purchase contract entered into February 2012 payable in annual installments of \$135,039 through 2019; interest at 1.72%	
\$431,200 -	431,200
SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%	
\$445,000 -	445,000
Wells Fargo Bank installment purchase contract entered into June 2013 payable in annual installments of \$67,254 through 2020; interest at 1.52%	
	<u>4,067,666</u>
<i>Total installment notes payables</i>	<u>\$ 4,172,666</u>

In addition to the general obligation bonds, limited obligation bonds and installment notes payable, 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
2014	\$ 2,679,000	\$ 1,249,977	\$ 3,928,977
2015	2,479,000	1,080,228	3,559,228
2016	2,190,000	1,003,562	3,193,562
2017	2,191,000	820,728	3,011,728
2018	2,171,000	763,114	2,934,114
2019-2023	8,844,000	2,876,841	11,720,841
2024-2028	6,856,000	1,537,849	8,393,849
2029-2032	3,410,000	318,091	3,728,091
	\$ 30,820,000	\$ 9,650,390	\$ 40,470,390

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,120,000	\$ 1,248,431	\$ 3,368,431
2015	2,115,000	1,184,831	3,299,831
2016	2,140,000	1,079,081	3,219,081
2017	2,165,000	972,081	3,137,081
2018	1,890,000	863,831	2,753,831
2019-2023	9,880,000	2,902,155	12,782,155
2024-2028	4,595,000	756,743	5,351,743
2029-2032	1,680,000	171,403	1,851,403
	\$ 26,585,000	\$ 9,178,556	\$ 35,763,556

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

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,095,168	\$ 90,408	\$ 1,185,576
2015	709,997	63,645	773,642
2016	726,835	46,806	773,641
2017	744,100	29,542	773,642
2018	503,391	13,811	517,202
2019-2020	393,175	6,662	399,837
	\$ 4,172,666	\$ 250,874	\$ 4,423,540

Long-term debt activity for the year ended June 30, 2013 was as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 31,445,000	\$ 1,700,000	\$ -	\$ -	\$ -
Refunding bonds	-	3,050,000	-	-	-
Payment to refunded bond escrow agent	-	-	2,700,000	-	-
Debt payments	-	-	2,675,000	-	-
Total general obligation bonds	\$ 31,445,000	\$ 4,750,000	\$ 5,375,000	\$ 30,820,000	\$ 2,679,000
Limited obligation bonds	28,800,000	-	2,215,000	26,585,000	2,120,000
Installment notes payable	210,000	-	105,000	105,000	105,000
Installment notes payable - internal service funds	4,440,441	876,200	1,248,975	4,067,666	990,168
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	246,648	-	7,522	239,126	-
Compensated absences - governmental activities	2,316,278	1,908,745	1,885,799	2,339,224	1,885,799
Compensated absences - internal service funds	32,032	30,303	27,388	34,947	27,388
Other postemployment benefits	7,851,547	3,630,850	-	11,482,397	-
Other postemployment benefits - internal service funds	145,466	63,674	-	209,140	-
Long-term debt	<u>\$ 75,610,558</u>	<u>\$ 11,259,772</u>	<u>\$ 10,864,684</u>	<u>\$ 76,005,646</u>	<u>\$ 7,807,355</u>
Business-type activities:					
Compensated absences	\$ 603,706	\$ 570,190	\$ 582,880	\$ 591,016	\$ 559,846
Other postemployment benefits	3,828,675	1,636,037	-	5,464,712	-
Long-term debt	<u>\$ 4,432,381</u>	<u>\$ 2,206,227</u>	<u>\$ 582,880</u>	<u>6,055,728</u>	<u>559,846</u>

On June 27, 2012, the Town issued \$22 million in advanced refunding limited obligation bonds and defeased 2005 and 2003 certificates of participation and a 2007 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price of the 2000 certificates of participation exceeded the net carrying amount of the old debt by \$340,000. This amount was being amortized over the life of the new certificates of participation but has been removed from the proprietary activities column of the statement of net position with the refunding. The refinancing was undertaken to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$800,000. On June 30, 2013, \$22,000,000 of certificates of participation and \$1,550,000 in installment financing is considered defeased.

On June 5, 2012, the Town issued \$4,655,000 in general obligation bonds to partially refund bonds issued in 1996, 2003 and 2004, placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds. The sale resulted in a savings of \$364,433 over the remaining life of the bonds. On June 30, 2013, \$4,725,000 of bonds outstanding is considered defeased.

On February 28, 2013, the Town issued \$3,050,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for to be used for all future debt service payments of \$2,700,000 of general obligation 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 position. The reacquisition price exceeded the net carrying amount of the old debt by \$350,000. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$178,820 and resulted in an economic gain of \$158,591.

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, 2013, the legal debt margin for the Town was approximately \$553 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, 2013 consists of the following:

Revenue Bonds:

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 \$1,353,194 at June 30, 2013	\$ 22,113,194
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 \$468,721 at June 30, 2013; 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	19,758,721
Revenue and revenue refunding bonds payable, Series 2005, 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 \$120,394 at June 30, 2013	16,114,606
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 \$41,048 at June 30, 2013; 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, 2010), final maturity July 2029	22,776,048
Revenue and revenue refunding bonds payable, Series 2003 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 of \$156,729 at June 30, 2013	3,833,272
Revenue and revenue refunding bonds payable, Series 2001, 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 \$0 at June 30, 2013	835,000
Total long-term debt	\$ 85,430,841

OWASA debt maturities are as follows:

Fiscal Year	Amortization of Premiums and Deferred Refunding			
	Maturities	Losses	Total	Interest
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	5,805,000	118,832	5,923,832	3,087,875
2018	4,745,000	118,832	4,863,832	2,805,175
2019-2023	23,235,000	645,759	23,880,759	10,793,376
2024-2028	23,885,000	376,379	24,261,379	5,542,976
2029-2032	10,720,000	85,223	10,805,223	1,022,800
Total	\$ 83,845,000	\$ 1,585,841	\$ 85,430,841	\$ 33,906,777

In 2010, the OWASA defeased Series 2001 and Series 2004A Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On June 30, 2012, \$10,430,000 of bonds outstanding is considered defeased.

OWASA's long-term debt activity for the year ended June 30, 2013 is as follows:

	July 1, 2012	Additions	Reductions	June 30, 2013	Due Within One Year
Note Payable	\$ 142,329	\$ -	\$ 142,329	\$ -	\$ -
Bonds payable:					
Revenue bonds	89,245,000	-	5,400,000	83,845,000	5,170,000
Less deferred amounts:					
For issuance premiums	4,601,458	-	440,549	4,160,909	427,745
Capital lease	13,497	-	13,497	-	-
Compensated absences	464,782	441,122	424,701	481,203	345,000
OPEB	3,410,521	1,168,108	134,959	4,443,670	-
Total bonds payable	\$ 97,877,587	\$ 1,609,230	\$ 6,556,035	\$ 92,930,782	\$ 5,942,745

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$85,430,841 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 2032, solely from the water and sewer customer net revenues. Annual principal and interest on the bonds are expected to require approximately 61 percent of such net revenues. The total principal and interest remaining to be paid on the bonds is \$119,337,619. Principal and interest paid in the years ended June 30, 2013 and 2012 were \$7,898,190 and 8,550,976, respectively.

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 Revenue 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.

The debt service coverage ratio calculation for the year ended June 30, 2013, is as follows:

Operating revenues	\$ 37,243,160
Operating expenses *	<u>18,781,423</u>
Income available for debt service	<u>\$ 18,461,737</u>
Debt service, principal and interest paid	<u>\$ 8,556,005</u>
Debt service coverage ratio for parity debt	<u>2.16</u>

* Per rate covenants, this does not include depreciation, amortization, interest expense or OPEB.

At June 30, 2013, OWASA was in compliance with the bond covenants described above.

G. 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	\$ 23,527,782
Less:	
Inventories	2,698
Prepaid expenses	19,863
Stabilization by State Statute	6,697,509
Cal Horton award	96,179
Parks projects	28,776
Streets projects	122,215
Public safety	181,091
OPEB allocation	1,200,000
Workforce development	60,566
Economic development	248,738
Appropriated in FY14 budget	1,986,150
Working capital fund balance reserve	6,165,512
Remaining fund balance	6,718,485

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	\$ 1,793,859
Capital Projects Ordinance Fund	3,719,489
Transit Grant Projects Ordinance Fund	5,096
Non-major funds	2,367,563

H. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2013, the statements of the Town include a net of balances due to/from other funds in the amount of \$3,730,298 as detailed below. The payables in the Housing Fund and Transit Capital Grant Fund represent the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end. The Parking Facility Fund payable to the Debt Fund represents the COPs debt refunded by issuance of limited obligation bonds that are now carried in the Debt Fund.

Receivable Fund	Payable Fund	Amount
General fund	Housing fund	\$ 147,505
Transit fund	Nonmajor governmental	(2,688)
Debt service fund	Parking facility fund	3,585,481
		<u>\$ 3,730,298</u>

Receivables among governmental funds include amounts due to the General Fund from the Grants Fund (\$82,248), Housing Capital Grants (\$145,378) and Community Development (\$11,131.)

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2013 is as follows:

Interfund transfers to/(from) governmental funds

From Parking Fund to General Fund	130,137
From General Fund to Stormwater	(5,231)
From Parking Fund to Debt Service Fund	875,663
From Transit to Transit Capital Grant Fund	446,944
From Transit Capital Grant to Transit	(720,000)
From Transit to Nonmajor	<u>1,179</u>
Total transfers to governmental funds from proprietary funds	728,692

Transfers between governmental funds:

From Nonmajor to General Fund	45,000
From General Fund to Nonmajor	1,776,155
From Nonmajor to Capital Projects Ordinance Fund	73,484

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 \$130,137 in fiscal 2013. The transfer of \$5,231 from the General fund to the Stormwater Management is a reimbursement of a fee exemption. The transfer from the Parking fund to the Debt Service fund represents debt repayment for the 140 West and Rosemary Garage. Each year, the Transit fund makes a transfer for the required matches to Federal and State capital grants, but in FY13, the transit capital grants fund transferred back matching funds that were in excess of grant requirements. Finally, Transit made a transfer of matching funds to the Grants Fund for a transit-related operating grant.

I. 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, 6.74% and 6.77% of annual covered payroll. For OWASA, the current rate for employees is 6.74% 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, 2013, 2012, and 2011 were \$2,149,161, \$2,308,242 and \$2,125,113 respectively. OWASA's contributions to LGERS for the years ended June 30, 2013, 2012, and 2011 were \$489,014, \$487,997 and \$440,320 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, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Active Plan members	<u>119</u>
TOTAL	<u>137</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, 2011 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative 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, 2011 was 19 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	\$ 324,662
b Interest on net pension obligation	12,332
c Adjustment to annual required contribution	<u>(15,349)</u>
d Annual pension cost (a) + (b) + (c)	\$ 321,645
e Employer contributions made for fiscal year ended 6/30/2012	<u>329,167</u>
f Increase (decrease) in net pension obligation (d) - (e)	\$ (7,522)
g Net pension obligation, beginning of fiscal year	<u>246,648</u>
h Net pension obligation, end of fiscal year (f) + (g)	\$ 239,126

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2011	322,998	95.46%	269,438
6/30/2012	313,754	107.26%	246,648
6/30/2013	321,645	102.34%	239,126

Funded Status and Funding Progress: As of December 31, 2012, 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 \$3,133,435. The covered payroll (annual payroll of active employees covered by the plan) was \$5,986,284, and the ratio of the UAAL to the covered payroll was 52.34 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, 2013 were \$466,108, which consisted of \$302,243 from the Town and \$163,865 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, 2013 were \$1,908,550, which consisted of \$1,304,005 from the Town and \$604,545 from employees.

J. 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, 2012, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	196
Active Members	595
	791
	791

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 has chosen to fund the healthcare benefits on a pay as you go basis. 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, 2013, the Town made payments for post-retirement health benefit premiums of 1,310,889 and the retirees made payments of \$319,126 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.

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	\$ 6,826,000
Interest on net OPEB obligation	473,028
Adjustment to annual required contribution	<u>(657,578)</u>
Annual OPEB cost (expense)	6,641,450
Contributions (adjusted for implicit subsidy)	<u>(1,310,889)</u>
Increase in net OPEB obligation	5,330,561
Net OPEB obligation, beginning of year	<u>11,825,688</u>
Net OPEB obligation, end of year	<u><u>\$ 17,156,249</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, 2013 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,641,450	19.7%	\$ 17,156,249
2012	6,722,714	22.5%	11,825,688
2011	3,085,174	33.9%	6,618,382

Funding status and funding progress. As of December 31, 2012, 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 \$56,370,479. The covered payroll (annual payroll of active employees covered by the plan) was \$28,236,336, and the ratio of the UAAL to the covered payroll was 199.6%. The current annual required contribution rate (ARC) is 24.18% of annual covered payroll.

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, 2012 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) 8.50% - 5.00% medical cost trend rate for pre-medicare and 6.25% - 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, 2012 was 28 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. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

M. Commitments and Contingencies

The Town has commitments related to capital improvements, capital purchases and a town-wide workforce development project at June 30, 2013 for the following:

Public Housing Renovations	\$	1,239,063
Cedar Falls Park		1,450,570
Morgan Creek Trail		1,383,449
Bolin Creek Trail		107,684
Parks & Recreation Projects		216,753
Traffic Projects		124,276
Technology Projects		97,743
Workforce Development Projects		40,504
ARRA-Energy Projects		113,971
Streets, Paving, Drainage and Sidewalks		493,993
Municipal Fiber Project		857,460
Obey Creek Development		95,692
Glen Lennox Development		106,555
Library Expansion		239,135
Vehicle/Bus Purchases		447,303
Miscellaneous Projects		316,661
	\$	<u>7,330,813</u>

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 \$14,991,750 at June 30, 2013.

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 \$10,000 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 \$2,070,000 for the ten structures.

In accordance with G.S. §159-29, 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, 2013 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. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement 65, Items Previously reported as Assets and Liabilities, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt which were previously deferred and amortized, be presented as deferred outflows of resources.

P. Extraordinary Event

On June 30, 2013, the Town experienced a record breaking flood when five inches of rain fell in a few hours. The first floor of Town Hall and 18 public housing apartments were flooded. Early estimates of the damage are about \$680,000 for Town Hall and \$450,000 for Public Housing. It is estimated that renovation will take between six and twelve months to complete. The first floor, including the Business Management Department (Finance and IT) and Council chambers, will be unusable during the renovations and those functions will be temporarily moved to other locations.

Q. Recent Pronouncements Issued

Prior to June 30, 2013, the Governmental Accounting Standards Board (GASB) issued the following pronouncements that have an effective date that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Town.

- GASB Statement 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34.” This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation) and certain disclosure requirements. The requirements for this statement are effective for financial statements for periods beginning after June 15, 2012.
- GASB Statement 66, “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62.” The requirements of this statement are effective for periods beginning after December 15, 2012.
- GASB Statement 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2014.

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**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)
12/31/2007	-	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%
12/31/2011	-	3,185,772	3,185,772	-	5,995,868	53.13%
12/31/2012	-	3,133,435	3,133,435	-	5,986,284	52.34%

**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
2008	242,203	120.50
2009	245,319	118.82
2010	265,423	110.74
2011	323,899	95.19
2012	316,355	106.38
2013	324,662	101.39

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

**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)
12/31/2005	-	45,380,700	45,380,700	-	25,322,664	179.21%
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%
12/31/2012	-	56,370,479	56,370,479	-	28,236,336	199.64%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	3,156,632	33.13%
2012	6,826,000	22.20%
2013	6,826,000	19.20%

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	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization method	28 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	8.50% - 5.00%
Post-Medicare trend rate	6.25% - 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.

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.

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, 2013 (With Comparative Totals as of June 30, 2012)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2013	2012
ASSETS				
Cash and cash equivalents	\$ 3,057,478	\$ 512,785	\$ 3,570,263	\$ 3,910,851
Receivables:				
Governmental units and agencies	113,093	324,595	437,688	363,002
Other	-	10,000	10,000	-
Inventories	-	16,538	16,538	16,538
Prepaid items	-	-	-	155
Restricted cash and cash equivalents	359,898	375,940	735,838	597,170
TOTAL ASSETS	\$ 3,530,469	\$ 1,239,858	\$ 4,770,327	\$ 4,887,716
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 145,378	\$ 93,379	\$ 238,757	\$ 173,294
Accounts payable	347,182	146,919	494,101	145,153
Accrued liabilities	-	8,172	8,172	7,983
Unearned revenue	-	13,484	13,484	44,666
Security deposits	-	15,814	15,814	12,132
Total liabilities	492,560	277,768	770,328	383,228
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	-	-	-	155
Restricted				
Stabilization by State Statute	2,269,773	493,434	2,763,207	10,246,233
Parks capital projects	65,929	-	65,929	-
Public housing	-	113,836	113,836	104,905
Public safety	-	8,179	8,179	8,180
Library	-	331,495	331,495	266,300
Development	-	26,874	26,874	2,844
Committed				
Transit capital purchase	-	-	-	1,067,500
Infrastructure capital projects	241,783	-	241,783	799,493
Fire capital projects	844,189	-	844,189	-
Public housing	-	336,614	336,614	810,388
Economic development	-	79,896	79,896	-
Assigned				
Subsequent year's expenditures	-	12,151	12,151	92,394
Streets capital projects	-	-	-	88,000
Municipal buildings capital projects	583,292	-	583,292	485,027
Parks capital projects	91,388	-	91,388	44,254
Technology capital projects	68,768	-	68,768	-
Unassigned	(1,127,213)	(456,927)	(1,584,140)	(9,527,723)
Total fund balances	3,037,909	962,090	3,999,999	4,504,488
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,530,469	\$ 1,239,858	\$ 4,770,327	\$ 4,887,716

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
JUNE 30, 2013**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 364,792	\$ 27,664	\$ 30,392
Receivables:				
Governmental units and agencies	119,863	-	-	-
Other	-	-	-	-
Inventories	-	-	-	16,538
Prepaid items	-	-	-	-
Restricted cash and cash equivalents	8,931	-	-	-
TOTAL ASSETS	\$ 128,794	\$ 364,792	\$ 27,664	\$ 46,930
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 11,131	\$ -	\$ -	\$ -
Accounts payable	1,581	62,440	7,503	-
Accrued liabilities	2,246	-	-	-
Unearned revenue	-	-	477	-
Security deposits	-	-	15,814	-
Total liabilities	14,958	62,440	23,794	-
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	16,538
Prepaid expenses	-	-	-	-
Restricted				
Stabilization by State Statute	139,944	94,939	-	-
Public housing	113,836	-	-	-
Public safety	-	-	-	-
Library	-	-	-	-
Development	-	-	-	-
Committed				
Public housing	-	302,352	3,870	30,392
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	(139,944)	(94,939)	-	-
Total fund balances	113,836	302,352	3,870	46,930
TOTAL LIABILITIES AND FUND BALANCES	\$ 128,794	\$ 364,792	\$ 27,664	\$ 46,930

Schedule 2

Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
			2013	2012
\$ -	\$ 89,934	\$ 3	\$ 512,785	\$ 928,388
164,732	40,000	-	324,595	226,956
-	-	10,000	10,000	-
-	-	-	16,538	16,538
-	-	-	-	155
-	-	367,009	375,940	359,330
<u>\$ 164,732</u>	<u>\$ 129,934</u>	<u>\$ 377,012</u>	<u>\$ 1,239,858</u>	<u>\$ 1,531,367</u>
\$ 82,248	\$ -	\$ -	\$ 93,379	\$ 149,636
29,371	507	45,517	146,919	49,953
5,053	873	-	8,172	7,983
13,007	-	-	13,484	10,114
-	-	-	15,814	12,132
<u>129,679</u>	<u>1,380</u>	<u>45,517</u>	<u>277,768</u>	<u>229,818</u>
-	-	-	16,538	16,538
-	-	-	-	155
164,940	40,507	53,104	493,434	250,941
-	-	-	113,836	104,905
8,179	-	-	8,179	8,180
-	-	331,495	331,495	266,300
26,874	-	-	26,874	2,844
-	-	-	336,614	810,388
-	79,896	-	79,896	-
-	8,151	4,000	12,151	92,394
<u>(164,940)</u>	<u>-</u>	<u>(57,104)</u>	<u>(456,927)</u>	<u>(251,096)</u>
<u>35,053</u>	<u>128,554</u>	<u>331,495</u>	<u>962,090</u>	<u>1,301,549</u>
<u>\$ 164,732</u>	<u>\$ 129,934</u>	<u>\$ 377,012</u>	<u>\$ 1,239,858</u>	<u>\$ 1,531,367</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Capital Projects	Capital Reserve	Public Housing Projects	Comparative Totals	
				2013	2012
ASSETS					
Cash and cash equivalents	\$ 3,057,478	\$ -	\$ -	\$ 3,057,478	\$ 2,982,463
Due from governmental units and agencies	-	-	113,093	113,093	136,046
Restricted cash and cash equivalents	-	214,520	145,378	359,898	237,840
TOTAL ASSETS	\$ 3,057,478	\$ 214,520	\$ 258,471	\$ 3,530,469	\$ 3,356,349
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ 145,378	\$ 145,378	\$ 23,658
Accounts payable	234,089	-	113,093	347,182	95,200
Unearned revenue	-	-	-	-	34,552
Total liabilities	234,089	-	258,471	492,560	153,410
FUND BALANCES					
Restricted					
Stabilization by State Statute	1,009,075	-	1,260,698	2,269,773	9,995,292
Parks capital projects	65,929	-	-	65,929	-
Committed					
Transit capital purchase	-	-	-	-	1,067,500
Infrastructure capital projects	27,263	214,520	-	241,783	799,493
Fire capital projects	844,189	-	-	844,189	-
Assigned					
Streets capital projects	-	-	-	-	88,000
Municipal buildings capital projects	583,292	-	-	583,292	485,027
Parks capital projects	91,388	-	-	91,388	44,254
Technology capital projects	68,768	-	-	68,768	-
Unassigned	133,485	-	(1,260,698)	(1,127,213)	(9,276,627)
Total fund balances	2,823,389	214,520	-	3,037,909	3,202,939
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,057,478	\$ 214,520	\$ 258,471	\$ 3,530,469	\$ 3,356,349

OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2013	2012
REVENUES				
Taxes	-	228,872	228,872	234,275
Intergovernmental revenues				
Federal government	559,001	909,216	1,468,217	2,848,022
State government	-	60,375	60,375	224,065
Other	-	53,403	53,403	220,095
Charges for services	-	-	-	7,706
Interest on investments	1,957	1,321	3,278	2,795
Franchise rental fees	57,987	-	57,987	53,815
Program income	-	43,047	43,047	55,927
Donations	-	828,210	828,210	122,201
Revenue in lieu	1,500	-	1,500	240,000
Other	697	-	697	3,310
Total revenues	621,142	2,124,444	2,745,586	4,012,211
EXPENDITURES				
Environment and development	-	1,812,037	1,812,037	1,223,301
Public safety	-	30,579	30,579	341,329
Leisure activities	-	718,621	718,621	60,488
Capital projects	1,280,188	-	1,280,188	3,400,124
Total expenditures	1,280,188	2,561,237	3,841,425	5,025,242
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(659,046)	(436,793)	(1,095,839)	(1,013,031)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	1,635,000	142,334	1,777,334	2,165,431
Transfer to other funds	(73,484)	(45,000)	(118,484)	(58,779)
Total other financing sources (uses)	1,561,516	97,334	1,658,850	2,106,652
NET CHANGE IN TOTAL FUND BALANCES	902,470	(339,459)	563,011	1,093,621
FUND BALANCES, BEGINNING	2,135,439	1,301,549	3,436,988	3,410,867
FUND BALANCES, ENDING	\$ 3,037,909	\$ 962,090	\$ 3,999,999	\$ 4,504,488

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, 2013 (With Comparative Totals as of June 30, 2012)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Federal government	625,237	-	-	-
State government	-	-	-	-
Other	-	-	-	-
Interest on investments	-	579	20	26
Program income	35,881	-	7,166	-
Donations	-	-	-	-
Revenue in lieu	-	-	-	-
Total revenues	<u>661,118</u>	<u>579</u>	<u>7,186</u>	<u>26</u>
EXPENDITURES				
Environment and development	652,187	474,983	6,582	-
Public safety	-	-	-	-
Leisure activities	-	-	-	-
Total expenditures	<u>652,187</u>	<u>474,983</u>	<u>6,582</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,931</u>	<u>(474,404)</u>	<u>604</u>	<u>26</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN TOTAL FUND BALANCES	8,931	(474,404)	604	26
FUND BALANCES, BEGINNING	<u>104,905</u>	<u>776,756</u>	<u>3,266</u>	<u>46,904</u>
FUND BALANCES, ENDING	<u>\$ 113,836</u>	<u>\$ 302,352</u>	<u>\$ 3,870</u>	<u>\$ 46,930</u>

Schedule 5

Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
			2013	2012
\$ -	\$ 228,872	\$ -	\$ 228,872	\$ 234,275
283,979	-	-	909,216	732,045
60,375	-	-	60,375	117,953
13,403	40,000	-	53,403	18,867
-	90	606	1,321	1,505
-	-	-	43,047	55,927
-	-	828,210	828,210	122,201
-	-	-	-	240,000
<u>357,757</u>	<u>268,962</u>	<u>828,816</u>	<u>2,124,444</u>	<u>1,522,773</u>
445,483	232,802	-	1,812,037	1,223,301
30,579	-	-	30,579	341,329
<u>-</u>	<u>-</u>	<u>718,621</u>	<u>718,621</u>	<u>60,488</u>
<u>476,062</u>	<u>232,802</u>	<u>718,621</u>	<u>2,561,237</u>	<u>1,625,118</u>
<u>(118,305)</u>	<u>36,160</u>	<u>110,195</u>	<u>(436,793)</u>	<u>(102,345)</u>
142,334	-	-	142,334	257,788
<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(58,779)</u>
<u>142,334</u>	<u>-</u>	<u>(45,000)</u>	<u>97,334</u>	<u>199,009</u>
24,029	36,160	65,195	(339,459)	96,664
<u>11,024</u>	<u>92,394</u>	<u>266,300</u>	<u>1,301,549</u>	<u>1,204,885</u>
<u>\$ 35,053</u>	<u>\$ 128,554</u>	<u>\$ 331,495</u>	<u>\$ 962,090</u>	<u>\$ 1,301,549</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Capital Projects	Capital Reserve	Public Housing Projects	Comparative Totals	
				2013	2012
REVENUES					
Intergovernmental revenues					
Federal government	\$ -	\$ -	\$ 559,001	559,001	\$ 2,115,977
State government	-	-	-	-	106,112
Other	-	-	-	-	201,228
Charges for services	-	-	-	-	7,706
Interest on investments	1,619	338	-	1,957	1,290
Franchise rental fees	57,987	-	-	57,987	53,815
Revenue in lieu	1,500	-	-	1,500	-
Other	-	-	697	697	3,310
Total revenues	<u>61,106</u>	<u>338</u>	<u>559,698</u>	<u>621,142</u>	<u>2,489,438</u>
EXPENDITURES					
Capital projects:					
Municipal facilities	133,157	-	559,698	692,855	278,702
Street improvements and sidewalks	120,512	-	-	120,512	279,938
Parks, recreation and open space	131,253	-	-	131,253	354,545
Technology and communications	329,757	-	-	329,757	110,285
Public safety	5,811	-	-	5,811	-
Transit equipment and improvements	-	-	-	-	2,376,654
Total expenditures	<u>720,490</u>	<u>-</u>	<u>559,698</u>	<u>1,280,188</u>	<u>3,400,124</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(659,384)</u>	<u>338</u>	<u>-</u>	<u>(659,046)</u>	<u>(910,686)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund	1,635,000	-	-	1,635,000	432,300
Transfer from Transit Fund	-	-	-	-	1,452,819
Transfer from Capital Projects Ordinance Fund	-	-	-	-	22,524
Transfer to Capital Projects Ordinance Fund	(73,484)	-	-	(73,484)	-
Total other financing sources (uses)	<u>1,561,516</u>	<u>-</u>	<u>-</u>	<u>1,561,516</u>	<u>1,907,643</u>
NET CHANGE IN TOTAL FUND BALANCES	<u>902,132</u>	<u>338</u>	<u>-</u>	<u>902,470</u>	<u>996,957</u>
FUND BALANCES, BEGINNING	<u>1,921,257</u>	<u>214,182</u>	<u>-</u>	<u>2,135,439</u>	<u>2,205,982</u>
FUND BALANCES, ENDING	<u>\$ 2,823,389</u>	<u>\$ 214,520</u>	<u>\$ -</u>	<u>\$ 3,037,909</u>	<u>\$ 3,202,939</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 POSITION

JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2013	2012
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,764,810	\$ 396,757	\$ 471,302	\$ 2,632,869	\$ 3,656,840
Accounts receivable	134,513	17,461	-	151,974	31,231
Inventories	-	94,545	-	94,545	111,361
Restricted cash and cash equivalents	1,630,108	-	-	1,630,108	887,283
Total current assets	3,529,431	508,763	471,302	4,509,496	4,686,715
NONCURRENT ASSETS					
Capital assets, net of depreciation	4,449,808	1,748	-	4,451,556	4,084,080
TOTAL ASSETS	7,979,239	510,511	471,302	8,961,052	8,770,795
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	185,831	58,894	-	244,725	99,004
Accrued liabilities	-	11,529	-	11,529	12,659
Compensated absences	-	27,388	-	27,388	29,891
Installment purchase agreements	990,168	-	-	990,168	1,248,975
Total current liabilities	1,175,999	97,811	-	1,273,810	1,390,529
NONCURRENT LIABILITIES					
Compensated absences	-	7,559	-	7,559	2,141
Other postemployment benefits	-	209,140	-	209,140	145,466
Installment purchase agreements	3,077,498	-	-	3,077,498	3,191,466
Total noncurrent liabilities	3,077,498	216,699	-	3,294,197	3,339,073
TOTAL LIABILITIES	4,253,497	314,510	-	4,568,007	4,729,602
NET POSITION					
Net investment in capital assets	2,012,250	1,748	-	2,013,998	530,922
Unrestricted	1,713,492	194,253	471,302	2,379,047	3,510,271
TOTAL NET POSITION	\$ 3,725,742	\$ 196,001	\$ 471,302	\$ 4,393,045	\$ 4,041,193

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)**

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2013	2012
OPERATING REVENUES					
Charges for services	\$ 1,565,157	\$ 1,201,343	\$ 162,100	\$ 2,928,600	\$ 2,810,458
OPERATING EXPENSES					
Depreciation and amortization	1,273,882	1,165	-	1,275,047	1,301,462
Personnel	-	592,577	-	592,577	637,741
Operations	10,218	574,028	120,888	705,134	699,319
Total operating expenses	1,284,100	1,167,770	120,888	2,572,758	2,638,522
OPERATING INCOME	281,057	33,573	41,212	355,842	171,936
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	23,072	-	23,072	7,938
Interest on investments	3,362	308	420	4,090	2,472
Interest expense	(109,282)	-	-	(109,282)	(143,679)
Gain on sale of capital assets	71,150	-	6,980	78,130	85,199
Total nonoperating revenues (expenses), net	(34,770)	23,380	7,400	(3,990)	(18,359)
CHANGE IN NET POSITION	246,287	56,953	48,612	351,852	154,252
NET POSITION, BEGINNING	3,479,455	139,048	422,690	4,041,193	3,886,941
NET POSITION, ENDING	\$ 3,725,742	\$ 196,001	\$ 471,302	\$ 4,393,045	\$ 4,041,193

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement	Maintenance	Equipment	2013	2012
	Fund	Fund	Replacement		
			Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,430,644	\$ 1,215,113	\$ 162,100	\$ 2,807,857	\$ 2,817,801
Payments to employees	-	(527,118)	-	(527,118)	(588,755)
Payments to suppliers	175,613	(597,322)	(120,888)	(542,597)	(883,903)
Net cash provided by (used in) operating activities	1,606,257	90,673	41,212	1,738,142	1,345,143
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Grant funds received	-	-	-	-	29,711
Transfers from other funds	-	-	-	-	675
Net cash provided by noncapital financing activities	-	-	-	-	30,386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	876,200	-	-	876,200	887,000
Principal paid on installment purchase agreements	(1,248,975)	-	-	(1,248,975)	(1,604,075)
Interest paid on installment purchase agreements	(109,282)	-	-	(109,282)	(143,679)
Proceeds from sale of capital assets	92,372	-	6,980	99,352	89,825
Proceeds from insurance recovery	-	23,072	-	23,072	7,938
Acquisition and construction of capital assets	(1,663,745)	-	-	(1,663,745)	(896,971)
Net cash provided by (used in) capital and related financing activities	(2,053,430)	23,072	6,980	(2,023,378)	(1,659,962)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	3,362	308	420	4,090	2,472
Net cash provided by investing activities	3,362	308	420	4,090	2,472

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013 (With Comparative Totals as of June 30, 2012)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2013	2012
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(443,811)	114,053	48,612	(281,146)	(281,961)
CASH AND INVESTMENTS, BEGINNING	3,838,729	282,704	422,690	4,544,123	4,826,084
CASH AND INVESTMENTS, ENDING	<u>\$ 3,394,918</u>	<u>\$ 396,757</u>	<u>\$ 471,302</u>	<u>\$ 4,262,977</u>	<u>\$ 4,544,123</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 281,057	\$ 33,573	\$ 41,212	\$ 355,842	\$ 171,936
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,273,882	1,165	-	1,275,047	1,301,462
Changes in assets and liabilities:					
Receivables	(134,513)	13,770	-	(120,743)	7,343
Inventories	-	16,816	-	16,816	70,411
Accounts payable	185,831	(40,110)	-	145,721	(254,320)
Accrued liabilities	-	(1,130)	-	(1,130)	(18,213)
Compensated absences	-	2,915	-	2,915	(4,153)
Accrued OPEB liability	-	63,674	-	63,674	70,677
Net cash provided by operating activities	<u>\$ 1,606,257</u>	<u>\$ 90,673</u>	<u>\$ 41,212</u>	<u>\$ 1,738,142</u>	<u>\$ 1,345,143</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 27,530,000	\$ 27,530,000	\$ 27,401,160	\$ (128,840)
Ad valorem taxes - prior years	150,000	150,000	143,554	(6,446)
Interest on delinquent taxes	-	-	64,216	64,216
Local option sales taxes	9,870,000	9,870,000	10,049,247	179,247
Occupancy tax	950,000	950,000	981,716	31,716
Other taxes	37,000	37,000	58,492	21,492
Total taxes	<u>38,537,000</u>	<u>38,537,000</u>	<u>38,698,385</u>	<u>161,385</u>
Licenses and permits				
Motor vehicles	410,000	410,000	418,265	8,265
Privilege licenses	150,000	150,000	151,095	1,095
Building permits	705,200	705,200	1,204,779	499,579
Special use permits	170,000	170,000	291,262	121,262
Work zone traffic permits	65,000	65,000	69,550	4,550
Engineering permits	11,000	11,000	13,995	2,995
Fire inspection fees	2,500	2,500	2,100	(400)
Traffic impact study and fees	101,000	222,606	150,014	(72,592)
Police permits	56,488	56,488	44,195	(12,293)
Fire permits	20,800	20,800	23,900	3,100
Total licenses and permits	<u>1,691,988</u>	<u>1,813,594</u>	<u>2,369,155</u>	<u>555,561</u>
Fines and forfeitures				
Garbage citations and leash law fees	4,950	4,950	8,925	3,975
Parking tickets and towing fees	27,875	27,875	27,552	(323)
Total fines and forfeitures	<u>32,825</u>	<u>32,825</u>	<u>36,477</u>	<u>3,652</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
STP-DA Planning Study grant	-	30,000	30,000	-
USDOJ Equitable Sharing - Drug	13,000	150,000	25,228	(124,772)
Total federal government	13,000	180,000	55,228	(124,772)
State of North Carolina				
Beer and wine tax	237,000	237,000	234,480	(2,520)
Fuel tax (Powell Bill) funds	1,400,000	1,400,000	1,452,134	52,134
State fire protection	1,088,630	1,088,630	1,097,590	8,960
Utility franchise tax	2,800,000	2,800,000	2,928,766	128,766
Video programming tax	750,000	750,000	700,454	(49,546)
Supplemental PEG support	50,000	50,000	94,226	44,226
Solid waste disposal tax	35,000	35,000	32,714	(2,286)
State library aid	32,217	32,217	28,462	(3,755)
NCDOT Reimbursement grant	113,000	113,000	-	(113,000)
State Equitable Sharing - Drug	6,000	6,000	12,799	6,799
Total State of North Carolina	6,511,847	6,511,847	6,581,625	69,778
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	353,276	409,244	409,244	-
Miscellaneous local grants	-	10,000	10,000	-
Total other	437,036	503,004	503,004	-
Total intergovernmental revenues	6,961,883	7,194,851	7,139,857	(54,994)

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 140,000	\$ 140,000	\$ 130,789	\$ (9,211)
Library delinquent collection fees	5,500	5,500	3,436	(2,064)
Street cuts and right of way	80,850	80,850	140,679	59,829
Traffic signals	275,700	275,700	227,589	(48,111)
Rent revenue	123,290	123,290	164,421	41,131
Cemetery staking	4,200	4,200	4,275	75
Fire districts	1,500	1,500	1,714	214
Solid waste collection	349,900	349,900	345,034	(4,866)
Planning review	114,850	264,850	236,420	(28,430)
Engineering review	30,000	30,000	8,550	(21,450)
Recreation	718,859	718,859	732,790	13,931
Charges to other funds	1,200,072	1,200,072	1,138,473	(61,599)
	<u>3,044,721</u>	<u>3,194,721</u>	<u>3,134,170</u>	<u>(60,551)</u>
Total charges for services				
Interest on investments	<u>20,000</u>	<u>20,000</u>	<u>19,293</u>	<u>(707)</u>
Other				
Sales - planning and documents	20,050	20,050	19,699	(351)
Sales - fixed assets	5,000	5,000	9,852	4,852
Sales - fuel	8,000	8,000	9,910	1,910
Sales - miscellaneous	3,890	3,890	6,285	2,395
Cemetery lot sales	60,000	60,000	101,765	41,765
Court fees	25,000	25,000	22,945	(2,055)
Mutual aid reimbursements	293,210	419,821	518,489	98,668
Gifts and donations	100,000	300,000	308,325	8,325
Revenue in lieu	-	-	13,905	13,905
Miscellaneous	10,300	50,556	69,098	18,542
	<u>525,450</u>	<u>892,317</u>	<u>1,080,273</u>	<u>187,956</u>
Total other revenues				
TOTAL REVENUES	<u>50,813,867</u>	<u>51,685,308</u>	<u>52,477,610</u>	<u>792,302</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 393,010	\$ 406,126	\$ 390,586	\$ 15,540
Manager/CaPA	1,905,924	2,165,181	2,042,640	122,541
Human Resources	1,306,915	1,412,817	1,158,268	254,549
Business Management	2,923,007	3,036,933	2,811,952	224,981
Attorney	296,834	296,938	272,643	24,295
Total general government	<u>6,825,690</u>	<u>7,317,995</u>	<u>6,676,089</u>	<u>641,906</u>
Environment and development				
Planning	1,481,340	1,594,795	1,288,727	306,068
Public Works	11,422,710	12,273,922	11,297,816	976,106
Total environment and development	<u>12,904,050</u>	<u>13,868,717</u>	<u>12,586,543</u>	<u>1,282,174</u>
Public safety				
Police	12,599,282	12,976,301	11,895,484	1,080,817
Fire	7,833,812	7,860,162	7,621,405	238,757
Total public safety	<u>20,433,094</u>	<u>20,836,463</u>	<u>19,516,889</u>	<u>1,319,574</u>
Leisure activities				
Parks and recreation	6,014,134	6,311,225	5,835,593	475,632
Library	2,366,563	2,424,086	2,165,566	258,520
Total leisure activities	<u>8,380,697</u>	<u>8,735,311</u>	<u>8,001,159</u>	<u>734,152</u>
Nondepartmental				
Liability insurance	420,593	420,593	441,610	(21,017)
Supplemental PEG expense	210,000	210,000	197,711	12,289
Contributions to agencies	852,850	880,850	875,000	5,850
Contribution to OPEB liability	-	1,200,000	-	1,200,000
Retiree medical insurance	1,000,200	1,005,167	1,060,433	(55,266)
General government	482,452	524,006	242,446	281,560
Total nondepartmental	<u>2,966,095</u>	<u>4,240,616</u>	<u>2,817,200</u>	<u>1,423,416</u>
Total expenditures	<u>51,509,626</u>	<u>54,999,102</u>	<u>49,597,880</u>	<u>5,401,222</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(695,759)	(3,313,794)	2,879,730	6,193,524
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	176,511	176,511	130,137	(46,374)
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Stormwater Fund	(5,800)	(5,800)	(5,231)	569
Transfer to Capital Improvements Fund	(594,000)	(1,635,000)	(1,635,000)	-
Transfer to Transit Fund	(364,000)	(364,000)	-	364,000
Transfer to Grants Fund	(90,574)	(291,946)	(141,155)	150,791
Appropriated fund balance	<u>1,528,622</u>	<u>5,389,029</u>	<u>-</u>	<u>(5,389,029)</u>
Total other financing sources (uses)	<u>695,759</u>	<u>3,313,794</u>	<u>(1,606,249)</u>	<u>(4,920,043)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,273,481	<u>\$ 1,273,481</u>
FUND BALANCE, BEGINNING			<u>22,254,301</u>	
FUND BALANCE, ENDING			<u>\$ 23,527,782</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 5,462,000	\$ 5,462,000	\$ 5,435,829	\$ (26,171)
Ad valorem taxes - prior years	-	-	32,885	32,885
Intergovernmental revenues				
Federal government	183,000	175,061	182,507	7,446
Interest on investments	-	57,842	58,110	268
	<u>5,645,000</u>	<u>5,694,903</u>	<u>5,709,331</u>	<u>14,428</u>
Total revenues				
EXPENDITURES				
Debt service:				
Principal	4,676,000	4,972,798	4,995,000	(22,202)
Interest and fiscal charges	2,272,652	2,294,854	2,294,854	-
Advance refunding escrow	-	344,867	344,867	-
Bond issuance costs	75,000	241,117	241,116	1
	<u>7,023,652</u>	<u>7,853,636</u>	<u>7,875,837</u>	<u>(22,201)</u>
Total expenditures				
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,378,652)	(2,158,733)	(2,166,506)	(7,773)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	3,050,000	3,050,000	-
Advanced refunding	-	(2,700,000)	(2,700,000)	-
Transfer from other funds	438,000	875,664	875,663	(1)
Appropriated fund balance	940,652	933,069	-	(933,069)
	<u>1,378,652</u>	<u>2,158,733</u>	<u>1,225,663</u>	<u>(933,070)</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(940,843)	\$ (940,843)
FUND BALANCES, BEGINNING			<u>6,281,023</u>	
FUND BALANCES, ENDING			<u>\$ 5,340,180</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, 2013**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Interest on investments	\$ 2,406,558	\$ 3,038,536	\$ 10,894	\$ 3,049,430
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,739,141	1,327,210	183,288	1,510,498
FTA STPDA Grants	1,610,000	-	397,374	397,374
U.S. DOE SEEA Grant	907,041	126,281	615,024	741,305
Other Federal Grants	979,628	744,340	179,457	923,797
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	1,980,636	1,680,310	-	1,680,310
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	86,971	86,971	-	86,971
Orange County parks bonds	8,500,000	8,482,520	-	8,482,520
Other Grants	1,261,939	215,930	34,925	250,855
Charges for services	173,117	268,005	-	268,005
Donations	813,993	291,248	522,680	813,928
Revenue in lieu	175,692	129,592	53,105	182,697
Other	585,460	605,783	-	605,783
Total revenues	22,133,041	17,965,456	1,996,747	19,962,203
EXPENDITURES				
Parks, recreation, library and open space capital improvements	52,392,725	34,801,346	10,615,469	45,416,815
Public safety capital improvements	2,331,043	2,331,602	-	2,331,602
Public works facility	31,083,380	30,709,997	-	30,709,997
Municipal facilities	10,166,738	1,440,012	7,022,120	8,462,132
Sewer capital improvements	350,385	368,195	-	368,195
Software development	300,000	245,956	6,896	252,852
Street and sidewalk improvements	12,701,250	7,458,771	1,188,629	8,647,400
Total expenditures	109,325,521	77,355,879	18,833,114	96,188,993
DEFICIENCY OF REVENUES OVER EXPENDITURES	(87,192,480)	(59,390,423)	(16,836,367)	(76,226,790)

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, 2013**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	52,077,272	50,371,876	1,700,000	52,071,876
Proceeds from financing	29,861,733	29,861,733	-	29,861,733
Transfer from General Fund	3,832,071	3,832,071	-	3,832,071
Transfer from Capital Projects Fund	747,077	660,405	73,484	733,889
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	(84,928)	(84,928)	-	(84,928)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>87,192,480</u>	<u>85,377,331</u>	<u>1,773,484</u>	<u>87,150,815</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 25,986,908</u>	<u>\$ (15,062,883)</u>	<u>\$ 10,924,025</u>
FUND BALANCE, BEGINNING			<u>25,986,908</u>	
FUND BALANCE, ENDING			<u>\$ 10,924,025</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2013**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 12,691,111	\$ 2,612,914	\$ 7,523,665	\$ 10,136,579
State government	1,111,557	108,294	750,725	859,019
Other	380,632	353,371	3,421	356,792
Charges for services	<u>24,042</u>	<u>24,591</u>	<u>(235)</u>	<u>24,356</u>
 Total revenues	 <u>14,207,342</u>	 <u>3,099,170</u>	 <u>8,277,576</u>	 <u>11,376,746</u>
EXPENDITURES				
Bus purchases	10,657,442	1,666,412	8,952,435	10,618,847
Equipment and improvements	1,972,282	949,981	14,441	964,422
Administration	<u>3,412,778</u>	<u>1,031,528</u>	<u>105,144</u>	<u>1,136,672</u>
 Total expenditures	 <u>16,042,502</u>	 <u>3,647,921</u>	 <u>9,072,020</u>	 <u>12,719,941</u>
 DEFICIENCY OF REVENUES OVER EXPENDITURES	 <u>(1,835,160)</u>	 <u>(548,751)</u>	 <u>(794,444)</u>	 <u>(1,343,195)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	2,555,160	1,616,251	446,944	2,063,195
Transfer to other funds	<u>(720,000)</u>	<u>-</u>	<u>(720,000)</u>	<u>(720,000)</u>
 Total other financing sources (uses)	 <u>1,835,160</u>	 <u>1,616,251</u>	 <u>(273,056)</u>	 <u>1,343,195</u>
 NET CHANGE IN TOTAL FUND BALANCE	 <u>\$ -</u>	 <u>\$ 1,067,500</u>	 <u>(1,067,500)</u>	 <u>\$ -</u>
 FUND BALANCE, BEGINNING			 <u>1,067,500</u>	
 FUND BALANCE, ENDING			 <u>\$ -</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 1,000	\$ 1,000	\$ 1,619	\$ 619
Franchise rental fees	55,000	55,000	57,987	2,987
Revenue in lieu	-	-	1,500	1,500
Total revenues	<u>56,000</u>	<u>56,000</u>	<u>61,106</u>	<u>5,106</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	100,000	265,868	133,157	132,711
Street improvements and sidewalks	60,000	147,700	120,512	27,188
Parks, recreation and open space	250,000	222,762	131,253	91,509
Technology and communications	240,000	914,603	329,757	584,846
Public safety	-	850,000	5,811	844,189
Total expenditures	<u>650,000</u>	<u>2,400,933</u>	<u>720,490</u>	<u>1,680,443</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(594,000)</u>	<u>(2,344,933)</u>	<u>(659,384)</u>	<u>1,685,549</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	594,000	1,635,000	1,635,000	-
Transfer to Capital Projects Ordinance Fund	-	(73,484)	(73,484)	-
Appropriated fund balance	-	783,417	-	(783,417)
Total other financing sources	<u>594,000</u>	<u>2,344,933</u>	<u>1,561,516</u>	<u>(783,417)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>902,132</u>	<u>\$ 902,132</u>
FUND BALANCE, BEGINNING			<u>1,921,257</u>	
FUND BALANCE, ENDING			<u>\$ 2,823,389</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 338	\$ 338
Total revenues	-	-	338	338
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	338	<u>\$ 338</u>
FUND BALANCE, BEGINNING			<u>214,182</u>	
FUND BALANCE, ENDING			<u>\$ 214,520</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, 2013**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2008	578,700	578,700	-	578,700
Capital Grant 2009	595,500	223,406	372,094	595,500
Capital Grant 2010	594,401	169,228	108,933	278,161
Capital Grant 2011	506,097	-	55,377	55,377
Capital Grant 2012	448,270	-	22,597	22,597
ARRA Grant 2009	732,519	732,519	-	732,519
ROSS Grant	248,240	238,086	-	238,086
Total federal government	3,703,727	1,941,939	559,001	2,500,940
Other revenues	19,840	11,081	697	11,778
 Total revenues	 3,723,567	 1,953,020	 559,698	 2,512,718
EXPENDITURES				
Environment and development	3,723,567	1,953,020	559,698	2,512,718
 NET CHANGE IN TOTAL FUND BALANCE	 \$ -	 \$ -	 \$ -	 \$ -

**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, 2013**

	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	584,379	-	584,379
Block Grant 10	633,405	633,405	-	633,405
Block Grant 11	529,660	242,954	286,706	529,660
Block Grant 12	410,687	-	338,531	338,531
ARRA Grant 09	156,110	156,110	-	156,110
Program income	234,503	205,962	35,881	241,843
Total revenues	<u>6,863,532</u>	<u>6,137,598</u>	<u>661,118</u>	<u>6,798,716</u>
EXPENDITURES				
Public improvement	1,885,675	1,480,483	318,502	1,798,985
Neighborhood revitalization	3,096,215	2,825,275	209,997	3,035,272
Homeownership opportunities	17,000	17,000	-	17,000
Administration	1,128,967	1,041,429	83,668	1,125,097
Community services	735,675	668,506	40,020	708,526
Total expenditures	<u>6,863,532</u>	<u>6,032,693</u>	<u>652,187</u>	<u>6,684,880</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>-</u>	<u>104,905</u>	8,931	<u>113,836</u>
FUND BALANCE, BEGINNING			<u>104,905</u>	
FUND BALANCE, ENDING			<u>\$ 113,836</u>	

**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, 2013**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 16,300	\$ 44,675	\$ 579	\$ 45,254
Program income	650,799	650,800	-	650,800
Revenue in lieu	1,279,400	1,249,400	-	1,249,400
Total revenues	<u>1,946,499</u>	<u>1,944,875</u>	<u>579</u>	<u>1,945,454</u>
EXPENDITURES				
Environment and development	<u>2,102,277</u>	<u>1,323,898</u>	<u>474,983</u>	<u>1,798,881</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(155,778)</u>	<u>620,977</u>	<u>(474,404)</u>	<u>146,573</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>155,778</u>	<u>155,779</u>	<u>-</u>	<u>155,779</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 776,756</u>	<u>\$ (474,404)</u>	<u>\$ 302,352</u>
FUND BALANCE, BEGINNING			<u>776,756</u>	
FUND BALANCE, ENDING			<u>\$ 302,352</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, 2013**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	554	20	574
Program income	77,457	64,797	7,166	71,963
Other	-	300	-	300
	<u>438,336</u>	<u>306,427</u>	<u>7,186</u>	<u>313,613</u>
EXPENDITURES				
Environment and development	<u>455,836</u>	<u>320,661</u>	<u>6,582</u>	<u>327,243</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(14,234)</u>	<u>604</u>	<u>(13,630)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 3,266</u>	<u>\$ 604</u>	<u>\$ 3,870</u>
FUND BALANCE, BEGINNING			<u>3,266</u>	
FUND BALANCE, ENDING			<u>\$ 3,870</u>	

**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, 2013**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,729	26	1,755
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,777</u>	<u>26</u>	<u>481,803</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>\$ 46,904</u>	<u>\$ 26</u>	<u>\$ 46,930</u>
FUND BALANCE, BEGINNING			<u>46,904</u>	
FUND BALANCE, ENDING			<u>\$ 46,930</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	280,763	355,262	283,979	(71,283)
State government	56,518	82,102	60,375	(21,727)
Other	5,055	23,491	13,403	(10,088)
Total revenues	<u>342,336</u>	<u>460,855</u>	<u>357,757</u>	<u>(103,098)</u>
EXPENDITURES				
Environment and development	436,149	714,577	445,483	269,094
Public safety	-	44,851	30,579	14,272
Total expenditures	<u>436,149</u>	<u>759,428</u>	<u>476,062</u>	<u>283,366</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(93,813)</u>	<u>(298,573)</u>	<u>(118,305)</u>	<u>180,268</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	90,574	291,946	141,155	(150,791)
Transfers from Transit Fund	3,239	3,239	1,179	(2,060)
Appropriated fund balance	-	3,388	-	(3,388)
Total other financing sources	<u>93,813</u>	<u>298,573</u>	<u>142,334</u>	<u>(156,239)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	24,029	<u>\$ 24,029</u>
FUND BALANCE, BEGINNING			<u>11,024</u>	
FUND BALANCE, ENDING			<u>\$ 35,053</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 166,000	\$ 166,000	\$ 228,872	\$ 62,872
Intergovernmental revenues - other	-	40,000	40,000	-
Interest on investments	-	-	90	90
Total revenues	<u>166,000</u>	<u>206,000</u>	<u>268,962</u>	<u>62,962</u>
EXPENDITURES				
Environment and development	<u>166,000</u>	<u>246,000</u>	<u>232,802</u>	<u>13,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>(40,000)</u>	<u>36,160</u>	<u>76,160</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
NET CHANGE IN TOTAL FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>36,160</u>	<u>\$ 36,160</u>
FUND BALANCE, BEGINNING			<u>92,394</u>	
FUND BALANCE, ENDING			<u>\$ 128,554</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 606	\$ 606
Library donations	347,000	831,945	828,210	(3,735)
Total revenues	347,000	831,945	828,816	(3,129)
EXPENDITURES				
Leisure activities	172,000	792,577	718,621	73,956
EXCESS OF REVENUES OVER EXPENDITURES	175,000	39,368	110,195	70,827
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(45,000)	(45,000)	(45,000)	-
Contribution to reserve	(130,000)	-	-	-
Appropriated fund balance	-	5,632	-	(5,632)
Total other financing sources (uses)	(175,000)	(39,368)	(45,000)	(5,632)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	65,195	\$ 65,195
FUND BALANCE, BEGINNING			266,300	
FUND BALANCE, ENDING			\$ 331,495	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 348,686	\$ (41,759)
Bus advertising	263,132	263,132	115,840	(147,292)
Other	305,278	305,278	473,346	168,068
Total charges for services	<u>958,855</u>	<u>958,855</u>	<u>937,872</u>	<u>(20,983)</u>
OPERATING EXPENSES				
Personnel	10,719,748	10,976,507	11,567,717	(591,210)
Fuel and tires	2,646,431	2,548,880	2,035,619	513,261
Indirect costs	1,018,034	1,018,034	968,521	49,513
Building maintenance	607,354	654,764	394,921	259,843
Vehicle maintenance	1,913,119	2,241,514	1,365,343	876,171
Insurance	448,064	420,564	357,006	63,558
Advertising and marketing	228,718	228,428	89,275	139,153
Tarheel Express	308,749	290,237	226,342	63,895
Uniforms and supplies	188,869	183,749	83,694	100,055
Other	603,111	820,009	419,735	400,274
Total operating expenses	<u>18,682,197</u>	<u>19,382,686</u>	<u>17,508,173</u>	<u>1,874,513</u>
OPERATING LOSS	<u>(17,723,342)</u>	<u>(18,423,831)</u>	<u>(16,570,301)</u>	<u>1,853,530</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,103,892	2,514,819	4,234,561	1,719,742
State Operating Assistance Grant	3,165,556	3,207,468	2,768,076	(439,392)
Local Operating Assistance Grant	-	-	12,000	12,000
Operating assistance-UNC Chapel Hill	7,065,667	7,065,667	7,084,096	18,429
Operating assistance-Town of Carrboro	1,283,367	1,283,367	1,286,714	3,347
Vehicle licenses	415,000	415,000	417,115	2,115
Ad valorem taxes	2,995,000	2,995,000	2,987,412	(7,588)
Interest on investments	8,500	8,500	5,021	(3,479)
Insurance recovery	7,000	7,000	35,916	28,916
Capital outlay	-	(170,000)	(7,450)	162,550
Proceeds from sale of fixed assets	12,300	12,300	(976,210)	(988,510)
Revenue in lieu	-	-	3,400	3,400
Appropriated fund balance	819,288	516,938	-	(516,938)
Total nonoperating revenues (expenses), net	<u>17,875,570</u>	<u>17,856,059</u>	<u>17,850,651</u>	<u>(5,408)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	152,228	(567,772)	1,280,350	1,848,122

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
CAPITAL CONTRIBUTIONS	-	-	8,952,435	8,952,435
TRANSFERS				
Transfers in	364,000	1,084,000	720,000	(364,000)
Transfers out	<u>(516,228)</u>	<u>(516,228)</u>	<u>(448,123)</u>	<u>68,105</u>
Total transfers	<u>(152,228)</u>	<u>567,772</u>	<u>271,877</u>	<u>(295,895)</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	10,504,662	<u>\$ 10,504,662</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			7,450	
Depreciation and amortization			<u>(4,311,510)</u>	
Change in net position			<u>\$ 6,200,602</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,161,530	\$ 2,257,080	\$ 2,125,253	\$ (131,827)
OPERATING EXPENSES				
Personnel	777,012	778,675	851,100	(72,425)
Maintenance and repairs	239,040	179,422	25,124	154,298
Credit card fees	68,600	84,888	84,612	276
Lot rent	165,890	199,440	187,055	12,385
Indirect costs	76,447	76,447	74,285	2,162
Other	282,238	382,427	277,106	105,321
Total operating expenses	1,609,227	1,701,299	1,499,282	202,017
OPERATING INCOME	552,303	555,781	625,971	70,190
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	7,250	7,250	2,365	(4,885)
Insurance recovery	-	-	6,700	6,700
Debt service	(462,065)	-	-	-
Capital outlay	(114,300)	(227,902)	(109,465)	118,437
Appropriated fund balance	631,323	717,046	-	(717,046)
Total nonoperating revenues (expenses), net	62,208	496,394	(100,400)	(596,794)
INCOME BEFORE TRANSFERS	614,511	1,052,175	525,571	(526,604)
TRANSFERS				
Transfer to General Fund	(614,511)	(1,052,175)	(1,005,800)	46,375
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(480,229)	\$ (480,229)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			109,465	
Depreciation and amortization			(441,636)	
Change in net position			\$ (812,400)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 496,410	\$ 496,410	\$ 800,165	\$ 303,755
OPERATING EXPENSES				
Personnel	992,137	968,870	1,001,422	(32,552)
Maintenance and repairs	538,325	526,217	471,873	54,344
Utilities	172,300	162,300	160,834	1,466
Other	205,441	211,082	173,937	37,145
Total operating expenses	1,908,203	1,868,469	1,808,066	60,403
OPERATING LOSS	(1,411,793)	(1,372,059)	(1,007,901)	364,158
NONOPERATING REVENUES & (EXPENSES)				
Federal Operating Assistance Grant	1,035,588	1,035,588	1,150,068	114,480
Interest on investments	2,200	2,200	2,038	(162)
Insurance recovery	-	-	-	-
Capital outlay	(79,200)	(183,200)	(98,905)	84,295
Appropriated fund balance	453,205	517,471	-	(517,471)
Total nonoperating revenues	1,411,793	1,372,059	1,053,201	(318,858)
INCOME BEFORE CAPITAL CONTRIBUTIONS	-	-	45,300	45,300
CAPITAL CONTRIBUTIONS	-	-	-	-
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	45,300	\$ 45,300
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			98,905	
Depreciation and amortization			(572,344)	
Change in net position			\$ (428,139)	

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 3,355,433	\$ 145,378	3,500,811
114	Cash - tenant security deposits	67,521	-	67,521
100	Total cash	<u>3,422,954</u>	<u>145,378</u>	<u>3,568,332</u>
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	-	113,093	113,093
128	Fraud Recovery	13,202	-	13,202
126	Accounts receivable - tenants - dwelling rents	23,535	-	23,535
126.1	Allowance for doubtful accounts - dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	<u>29,325</u>	<u>113,093</u>	<u>142,418</u>
Current investments:				
143	Inventories	179,935	-	179,935
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total current investments	<u>178,474</u>	<u>-</u>	<u>178,474</u>
150	TOTAL CURRENT ASSETS	<u>3,630,753</u>	<u>258,471</u>	<u>3,889,224</u>
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	2,025,036	-	2,025,036
162	Building	20,561,774	-	20,561,774
164	Furniture, Equipment, & Machinery -Administration	591,544	-	591,544
166	Accumulated depreciation	(14,025,872)	-	(14,025,872)
167	Construction in progress	6,727	-	6,727
160	Total fixed assets, net of accumulated depreciation	<u>9,159,209</u>	<u>-</u>	<u>9,159,209</u>
180	TOTAL NONCURRENT ASSETS	<u>9,159,209</u>	<u>-</u>	<u>9,159,209</u>
190	TOTAL ASSETS	<u>\$ 12,789,962</u>	<u>\$ 258,471</u>	<u>\$ 13,048,433</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 148,781	\$ 113,093	261,874
321	Accrued wage/payroll taxes payable	19,517	-	19,517
322	Accrued compensated absences - current portion	51,290	-	51,290
341	Tenant security deposits	67,521	-	67,521
345	Other current liabilities	147,505	145,378	292,883
310	TOTAL CURRENT LIABILITIES	<u>434,614</u>	<u>258,471</u>	<u>693,085</u>
354	Accrued compensated absences - non-current portion	13,495	-	13,495
357	Accrued pension and OPEB liabilities	390,172	-	390,172
350	TOTAL NON-CURRENT LIABILITIES	<u>403,667</u>	<u>-</u>	<u>403,667</u>
300	TOTAL LIABILITIES	<u>838,281</u>	<u>258,471</u>	<u>1,096,752</u>
EQUITY:				
508	Investment in general fixed assets	9,159,209	-	9,159,209
512	Undesignated fund balance/retained earnings	2,792,472	-	2,792,472
513	TOTAL EQUITY	<u>11,951,681</u>	<u>-</u>	<u>11,951,681</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 12,789,962</u>	<u>\$ 258,471</u>	<u>\$ 13,048,433</u>

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 790,422	\$ -	\$ 790,422
705	Total tenant revenue	790,422	-	790,422
Other revenues:				
706	HUD PHA grants	1,150,068	-	1,150,068
706.1	Capital Grants	-	559,001	559,001
711	Investment income - unrestricted	2,038	-	2,038
715	Other revenue	9,743	697	10,440
	Total other revenue	1,161,849	559,698	1,721,547
700	TOTAL REVENUE	1,952,271	559,698	2,511,969
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	272,189	-	272,189
915	Compensated Absences	4,466	-	4,466
915	Employee benefit contributions - administrative	241,389	-	241,389
919	Other operating - administrative	77,354	92,525	169,879
Tenant services:				
924	Tenant services-other	35	-	35
Utilities:				
931	Water	124,766	-	124,766
932	Electricity	34,111	-	34,111
933	Gas	1,957	-	1,957
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	345,193	-	345,193
942	Ordinary maintenance and operations - materials	158,523	-	158,523
943	Ordinary maintenance and operations - contract costs	313,350	-	313,350
945	Employee benefit contributions - ordinary maintenance	138,185	-	138,185
General expenses:				
961	Insurance premiums	74,100	-	74,100
962	Other general expenses	1,803	-	1,803
964	Bad debt - tenant rents	20,645	-	20,645
969	TOTAL OPERATING EXPENSES	1,808,066	92,525	1,900,591
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	144,205	467,173	611,378
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	98,905	467,173	566,078
974	Depreciation Expense	572,344	-	572,344
900	TOTAL EXPENSES	2,479,315	559,698	3,039,013
1003	Operating transfers from/to Primary Government	-	-	-
1000	EXCESS OF REVENUE OVER EXPENDITURES	(527,044)	-	(527,044)
1104	Capital Outlays Enterprise Fund	98,905	-	98,905
1103	BEGINNING EQUITY	12,379,820	-	12,379,820
	ENDING EQUITY	\$ 11,951,681	\$ -	\$ 11,951,681

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,795,000	\$ 1,794,200	\$ 1,932,991	\$ 138,791
OPERATING EXPENSES				
Personnel	1,091,620	1,091,620	1,097,727	(6,107)
Drainage maintenance	340,413	346,119	283,912	62,207
Indirect costs	105,591	105,591	95,667	9,924
Professional services	70,000	152,867	81,249	71,618
Office rent	54,947	54,947	54,670	277
Other	172,071	191,590	97,901	93,689
Total operating expenses	1,834,642	1,942,734	1,711,126	231,608
OPERATING INCOME (LOSS)	(39,642)	(148,534)	221,865	370,399
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	-	-	1,341	1,341
Capital outlay	(75,000)	(88,753)	-	88,753
Appropriated fund balance	109,642	231,487	-	(231,487)
Total nonoperating revenues (expenses), net	34,642	142,734	1,341	(141,393)
INCOME (LOSS) BEFORE TRANSFERS	(5,000)	(5,800)	223,206	229,006
TRANSFERS				
Transfer from General Fund	5,000	5,800	5,231	(569)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	228,437	\$ 228,437
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(54,024)	
Change in net position			\$ 174,413	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,518,557	\$ 1,565,157	\$ 1,565,157	\$ -
OPERATING EXPENSES				
Operations	4,500	4,500	10,218	(5,718)
OPERATING INCOME	1,514,057	1,560,657	1,554,939	(5,718)
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,200	1,200	3,362	2,162
Capital outlay	(470,000)	(1,936,415)	(1,663,745)	272,670
Debt service	(1,443,098)	(1,489,698)	(1,358,257)	131,441
Proceeds from sale of capital assets	45,000	45,000	71,150	26,150
Issuance of installment notes	470,000	1,043,850	876,200	(167,650)
Contribution to reserve	(117,159)	-	-	-
Appropriated fund balance	-	775,406	-	(775,406)
Total nonoperating revenues (expenses), net	(1,514,057)	(1,560,657)	(2,071,290)	(510,633)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(516,351)	\$ (516,351)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,273,882)	
Capital outlay			1,663,745	
Debt service principal			1,248,975	
Proceeds from installment notes			(876,200)	
Change in net position			\$ 246,287	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,057,850	\$ 1,092,350	\$ 1,201,343	\$ 108,993
OPERATING EXPENSES				
Personnel	529,068	529,068	592,577	(63,509)
Operations	563,200	598,653	574,028	24,625
Total operating expenses	1,092,268	1,127,721	1,166,605	(38,884)
OPERATING INCOME (LOSS)	<u>(34,418)</u>	<u>(35,371)</u>	<u>34,738</u>	<u>70,109</u>
NONOPERATING REVENUES				
Insurance recovery	13,000	13,000	23,072	10,072
Interest on investments	-	-	308	308
Appropriated fund balance	21,418	22,371	-	(22,371)
Total nonoperating revenues	34,418	35,371	23,380	(11,991)
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,118</u>	<u>\$ 58,118</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,165)	
Change in net position			<u>\$ 56,953</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 160,100	\$ 162,100	\$ 162,100	\$ -
OPERATING EXPENSES				
Operations	250,500	254,282	120,888	133,394
OPERATING INCOME (LOSS)	(90,400)	(92,182)	41,212	133,394
NONOPERATING REVENUES				
Interest on investments	-	-	420	420
Proceeds from sale of capital assets	-	-	6,980	6,980
Appropriated fund balance	90,400	92,182	-	(92,182)
Total nonoperating revenues	90,400	92,182	7,400	(84,782)
Change in net position	\$ -	\$ -	\$ 48,612	\$ 48,612

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TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

Fiscal Year	Uncollected Balance 07/01/12	Additions	Collections and Credits	Uncollected Balance 06/30/13
2012-2013	\$ -	\$ 36,084,217	a \$ 35,809,148	b \$ 275,069
2011-2012	283,859	-	201,913	81,946
2010-2011	61,111	-	22,853	38,258
2010-prior	<u>196,332</u>	-	<u>11,110</u>	<u>185,222</u>
Totals	<u>\$ 541,302</u>		<u>\$ 36,045,024</u>	580,495
				342,241
				\$ 238,254
				Reconciliation with revenues:
				Ad Valorem taxes - General Fund \$ 27,544,714
				Ad Valorem taxes - Debt Fund 5,468,714
				Ad Valorem taxes - Transit Fund <u>2,987,412</u>
				Total Ad Valorem taxes \$ 36,000,840
				Reconciling item
				Taxes written off <u>44,184</u>
				\$ 36,045,024

*Note: The Town's taxes are collected by Orange and Durham Counties.

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30,2013

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property at current rate	\$ 7,210,112,714	0.494	\$ 35,617,956	\$ 34,457,555	\$ 1,160,401
Motor vehicles at prior year's rate	94,384,754	0.494	\$ 466,261	-	466,261
Total property valuation	\$ 7,304,497,468		\$ 36,084,217 a	\$ 34,457,555	\$ 1,626,662
Uncollected taxes at June 30, 2013			275,069 c	146,548	128,521
Current year's taxes collected			\$ 35,809,148 b	\$ 34,311,007	\$ 1,498,141
Current levy collection percentage			<u>99.24%</u>	<u>99.57%</u>	<u>92.10%</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 Position by Component,
Last Nine Fiscal Years
(accrual basis of accounting)

Table I

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities									
Net investment in capital assets	\$ 53,543,531	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330	\$ 61,447,706	\$ 65,504,936	\$ 77,405,641	\$ 74,391,633	\$ 71,955,972
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839
Unrestricted	15,075,313	19,554,289	23,279,530	24,337,458	35,270,865	23,907,746	12,887,944	(5,770,881)	1,169,561
Total governmental activities net assets	\$ 74,193,467	\$ 76,657,648	\$ 84,486,258	\$ 94,982,354	\$ 98,197,260	\$ 99,631,472	\$ 101,392,946	\$ 101,050,956	\$ 94,801,372
Business-type activities									
Net investment in capital assets	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462	\$ 48,230,110	\$ 50,829,655	\$ 53,612,945
Unrestricted	5,267,602	8,403,465	8,036,693	9,767,773	10,915,522	12,777,277	12,762,741	4,652,158	7,003,344
Total business-type activities net assets	\$ 19,155,638	\$ 39,565,909	\$ 47,883,552	\$ 56,905,278	\$ 60,928,891	\$ 64,534,739	\$ 60,992,851	\$ 55,481,813	\$ 60,616,289
Primary government									
Net investment in capital assets	\$ 67,431,567	\$ 86,969,311	\$ 99,836,188	\$ 116,120,835	\$ 111,461,075	\$ 117,262,398	\$ 125,635,751	\$ 125,221,288	\$ 125,568,917
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839
Unrestricted	20,342,915	27,957,754	31,316,223	34,105,231	46,186,387	36,685,023	25,650,685	(1,118,723)	8,172,905
Total primary government net assets	\$ 93,349,105	\$ 116,223,557	\$ 132,369,810	\$ 151,887,632	\$ 159,126,151	\$ 164,166,211	\$ 162,385,797	\$ 156,532,769	\$ 155,417,661
Component unit									
Net investment in capital assets	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716	\$ 190,756,445	\$ 190,756,445	\$ 206,109,733
Restricted	19,114,903	1,925,585	9,405,757	1,322,469	1,232,718	1,253,614	98,616	98,616	151,600
Unrestricted	7,373,853	6,611,972	6,453,532	5,993,719	15,140,975	21,113,133	26,865,314	26,865,314	25,876,182
Total component unit net assets	\$ 163,930,077	\$ 169,351,312	\$ 177,671,404	\$ 184,603,565	\$ 200,839,735	\$ 210,473,463	\$ 217,720,375	\$ 217,720,375	\$ 232,137,515

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 Position,
Last Nine Fiscal Years
(accrual basis of accounting)

Table 2

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 9,246,224	\$ 10,074,521
Environment and development	16,536,622	21,954,945	25,719,997	29,260,757	24,840,378	22,960,472	18,613,025	21,804,182	32,680,272
Public safety	15,501,769	17,003,191	17,844,886	18,593,745	19,536,555	19,932,175	20,363,725	21,140,258	21,357,911
Leisure activities	4,694,967	4,947,783	4,977,126	5,649,567	8,668,206	9,685,124	9,725,448	10,245,527	11,191,585
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	2,453,129	2,880,837
Total expenses	<u>43,056,187</u>	<u>50,595,830</u>	<u>56,330,360</u>	<u>62,242,946</u>	<u>62,765,161</u>	<u>62,016,240</u>	<u>59,420,976</u>	<u>64,889,320</u>	<u>78,185,126</u>
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	\$ 1,731,073	\$ 1,707,833
Environment and development	3,607,851	3,225,722	1,147,843	3,167,844	3,059,049	2,098,051	2,020,263	2,172,242	2,801,220
Public safety	70,046	65,244	76,287	99,946	110,137	130,338	117,747	93,583	100,112
Leisure activities	603,228	655,976	642,478	587,957	786,346	905,626	952,478	952,023	1,031,436
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	2,204,526	2,474,971
Public safety	1,183,619	2,190,476	1,318,224	1,700,774	1,691,179	1,842,949	1,452,984	1,172,182	1,165,774
Leisure activities	747,380	333,346	291,129	377,861	384,824	375,738	372,786	462,978	531,466
Capital grants and contributions:									
Environment and development	-	913,613	9,154,416	16,641,248	8,331,927	6,797,577	3,169,734	2,942,009	10,246,880
Leisure activities	-	-	-	-	-	-	85,677	182,506	182,507
Total program revenues	<u>12,792,525</u>	<u>21,204,592</u>	<u>18,516,397</u>	<u>27,714,828</u>	<u>18,550,833</u>	<u>16,209,481</u>	<u>12,367,569</u>	<u>11,913,122</u>	<u>20,242,199</u>
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)	\$ (52,976,198)	\$ (57,942,927)
General revenues and other changes in net position									
Property taxes	\$ 23,081,521	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703	\$ 31,162,920	\$ 32,171,735	\$ 32,612,118	\$ 33,083,532	\$ 33,306,516
Sales tax	8,456,040	9,138,060	9,594,569	9,758,126	9,033,512	8,765,035	8,941,463	9,765,972	10,049,247
Occupancy tax	675,295	783,509	991,081	985,069	891,857	806,686	872,115	956,496	981,716
Other taxes	539,733	582,638	368,073	141,157	112,700	41,173	51,708	56,452	58,492
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	3,914,798	3,990,640
Investment earnings	442,649	1,689,568	1,670,377	1,112,630	261,025	88,220	71,324	34,258	91,575
Miscellaneous	1,147,972	1,695,701	1,361,301	1,476,357	1,191,127	1,293,759	2,133,013	3,342,645	2,486,465
Transfers	991,713	586,538	2,619,973	230,155	944,494	366,331	226,775	1,480,055	728,692
Total general revenues and other changes in net position	<u>37,813,714</u>	<u>42,302,790</u>	<u>45,642,573</u>	<u>45,024,214</u>	<u>47,429,234</u>	<u>47,240,971</u>	<u>48,814,881</u>	<u>52,634,208</u>	<u>51,693,343</u>
Total governmental activities changes in net position	\$ <u>7,550,052</u>	\$ <u>12,911,552</u>	\$ <u>7,828,610</u>	\$ <u>10,496,096</u>	\$ <u>3,214,906</u>	\$ <u>1,434,212</u>	\$ <u>1,761,474</u>	\$ <u>(341,990)</u>	\$ <u>(6,249,584)</u>

Continued

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

Table 2

	Fiscal Year								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 21,454,457	\$ 21,819,683
Parking	1,614,306	1,590,227	1,585,035	1,612,632	1,736,772	1,776,168	1,785,780	2,212,712	1,940,918
Housing	-	1,119,963	1,209,350	2,203,200	2,276,917	2,057,066	1,982,144	2,204,546	2,380,410
Stormwater	1,065,666	2,257,924	2,263,074	1,391,604	1,635,510	1,618,926	1,739,239	1,825,682	1,765,150
Total expenses	15,137,913	18,248,377	19,938,485	21,422,698	24,015,694	25,281,446	26,452,564	27,697,397	27,906,161
Program Revenues									
Charges for services:									
Transportation	\$ 549,673	\$ 608,420	\$ 694,445	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432	\$ 1,359,239	\$ 1,354,987
Parking	1,933,579	2,080,546	2,138,673	2,102,350	2,043,999	1,921,724	1,879,797	2,071,035	2,125,253
Housing	-	1,651,616	417,725	453,821	415,568	402,701	507,305	618,132	800,165
Stormwater	1,708,292	379,582	1,741,379	1,711,271	1,740,119	1,768,208	1,841,152	1,814,911	1,932,991
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	10,829,469	15,385,447
Housing	-	1,040,017	1,080,526	1,155,687	1,371,614	1,491,477	1,559,586	1,319,472	1,150,068
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	1,804,533	8,952,435
Housing	-	-	-	-	-	-	19,877	1,079,687	-
Total program revenues	14,961,218	25,939,648	27,832,388	27,556,632	26,082,809	26,287,922	20,026,717	20,896,478	31,701,346
Total business-type activities net program expense	\$ (176,695)	\$ 7,691,271	\$ 7,893,903	\$ 6,133,934	\$ 2,067,115	\$ 1,006,476	\$ (6,425,847)	\$ (6,800,919)	\$ 3,795,185
General revenues and other changes in net position									
Property taxes	\$ 2,623,385	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787	\$ 2,801,353	\$ 2,890,870	\$ 2,929,657	\$ 2,965,320	\$ 2,987,412
Investment earnings	97,458	281,467	426,554	270,583	66,369	36,054	25,411	8,709	10,765
Miscellaneous	-	28,786	(6,567)	52,577	33,270	38,779	155,666	(204,093)	(930,194)
Transfers	(991,713)	(586,538)	(2,619,973)	(230,155)	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)
Total general revenues and other changes in net position	1,729,130	2,271,629	423,740	2,887,792	1,956,498	2,599,372	2,883,959	1,289,881	1,339,291
Total business-type activities changes in net position	\$ 1,552,435	\$ 9,962,900	\$ 8,317,643	\$ 9,021,726	\$ 4,023,613	\$ 3,605,848	\$ (3,541,888)	\$ (5,511,038)	\$ 5,134,476
Total primary government changes in net position									
\$ 9,102,487	\$ 22,874,452	\$ 16,146,253	\$ 19,517,822	\$ 7,238,519	\$ 5,040,060	\$ (1,780,414)	\$ (5,853,028)	\$ (1,115,108)	

Continued

Town of Chapel Hill
Changes in Net Position,
Last Nine 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>	<u>2012</u>	<u>2013</u>
Component unit activities:									
Expenses	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597	\$ 31,801,115	\$ 31,840,832	\$ 31,801,115	\$ 31,664,425
Program Revenues									
Charges for services	21,891,667	24,431,382	25,411,160	28,794,093	29,537,290	36,489,149	36,003,830	36,489,149	35,457,613
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>2,467,785</u>	<u>1,269,560</u>	<u>2,467,785</u>	<u>420,251</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>38,956,934</u>	<u>37,273,390</u>	<u>38,956,934</u>	<u>35,877,864</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>\$ 7,155,819</u>	<u>\$ 5,432,558</u>	<u>\$ 7,155,819</u>	<u>\$ 4,213,439</u>
General revenues and other changes in net position									
Investment earnings	821,194	742,010	-	584,031	1,918,195	17,964	29,261	17,964	15,664
Miscellaneous	<u>1,872,820</u>	<u>2,308,651</u>	<u>-</u>	<u>1,998,280</u>	<u>-</u>	<u>1,918,195</u>	<u>1,785,093</u>	<u>1,918,195</u>	<u>1,885,640</u>
Total general revenues and other changes in net position	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>1,918,195</u>	<u>1,936,159</u>	<u>1,814,354</u>	<u>1,936,159</u>	<u>1,901,304</u>
Total component unit activities changes in net position	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 15,569,876</u>	<u>\$ 9,091,978</u>	<u>\$ 7,246,912</u>	<u>\$ 9,091,978</u>	<u>\$ 6,114,743</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 Four Fiscal Years
post-GASB 54
(modified accrual basis of accounting)

Table 3a

	Fiscal Year			
	2010	2011	2012	2013
General Fund				
Nonspendable				
Inventories	3,376	3,285	3,341	2,698
Prepaid expenses	1,012	4,702	40,844	19,863
Restricted				
Stabilization by State Statute	5,838,176	5,074,720	6,271,859	6,697,509
Employee appreciation	101,136	99,559	97,890	96,179
Parks capital projects	-	75,332	28,776	28,776
Streets capital projects	187,815	143,520	110,310	122,215
Public safety	256,141	165,278	158,867	181,091
Library	16,459	-	-	-
Committed				
Economic development	-	-	-	121,811
Assigned				
Subsequent years' expenditures	5,064,230	1,121,605	1,528,622	1,986,150
Other post employment benefits	-	400,000	400,000	1,200,000
Workforce development	-	-	-	60,566
Comprehensive plan	157,874	103,291	99,443	
Economic development	-	-	157,246	126,927
Unassigned	9,926,083	13,236,669	13,357,103	12,883,997
Total General Fund	\$ 21,552,302	\$ 20,427,961	\$ 22,254,301	\$ 23,527,782
All Other Governmental Funds				
Nonspendable				
Inventories	16,538	16,538	16,538	16,538
Prepaid expenses	153	-	12,155	-
Restricted				
Stabilization by State Statute	672,532	4,889,823	25,666,721	11,300,288
Parks capital projects	1,360,140	4,953,598	4,591,757	5,156,807
Streets capital projects	2,024,909	4,384,746	3,485,868	3,455,873
Municipal buildings projects	782,318	-	7,532,019	1,887,561
Public housing	104,905	755,136	104,905	113,836
Public safety	55,284	18,628	8,180	8,179
Development	-	-	2,844	26,874
Library	1,452,361	15,791,379	10,536,981	740,208
Committed				
Debt service payments	1,546,092	3,009,079	6,281,023	5,340,180
Transit capital purchase	-	-	1,067,500	-
Infrastructure capital projects	244,167	214,031	799,493	241,783
Fire capital projects	-	-	-	844,189
Public housing	377,579	787,943	810,388	336,614
Economic development	38,118	19,856	106,583	160,896
Assigned				
Subsequent year's expenditures	960	123,660	92,394	12,151
Parks capital projects	262,938	-	44,254	91,388
Streets capital projects	518,091	292,169	88,000	-
Municipal buildings projects	228,558	593,266	485,027	583,292
Technology projects	447,842	-	-	68,768
Comprehensive plan	354,496	-	-	-
Unassigned	-	(3,314,885)	(24,960,211)	(10,121,221)
Total other governmental funds	\$ 10,487,981	\$ 32,534,967	\$ 36,772,419	\$ 20,264,204

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

Table 3b

	Fiscal Year					
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund						
Reserved for:						
State statute	\$ 3,251,528	\$ 3,250,131	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811
Encumbrances	858,238	1,209,013	1,297,402	1,272,671	1,524,640	1,079,576
Inventories	2,209	1,472	1,928	2,728	2,470	2,599
Capital improvements	427,112	531,342	381,258	231,128	353,915	364,815
Prepaid items	-	-	-	-	355,140	-
Other	100,000	204,917	212,620	323,997	332,888	321,798
Total reserved	<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	1,499,000	1,514,993	1,879,000	4,315,000	2,743,874	3,134,373
Undesignated	5,634,550	8,263,350	9,911,161	6,515,807	7,773,811	11,690,555
Total General Fund	<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	\$ 2,075,756	\$ 30,287,235	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692
State Statute	1,112,771	814,273	2,069,240	2,058,864	272,580	325,537
Encumbrances	50,203	656,035	1,111,691	871,343	408,663	373,427
Inventories	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	176,247	455,089	635,619	641,042	-	1,043,175
Total reserved	<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	232,698	688,286	133,262	39,047	608,640	381,005
Capital projects funds	359,586	(279,758)	(1,458,927)	(1,669,821)	1,978,767	2,190,234
Total all other governmental funds	<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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues				
Taxes	\$ 30,430,218	\$ 32,782,589	\$ 35,771,454	\$ 37,055,809
Intergovernmental	8,866,342	10,382,806	19,252,631	17,046,292
Charges for services	2,075,005	2,822,100	2,617,171	2,503,992
Licenses and permits	1,551,622	1,512,168	1,652,945	1,590,653
Interest	192,595	442,649	1,689,568	1,670,377
Other	1,822,410	1,702,214	1,937,075	1,654,137
Total Revenues	<u>44,938,192</u>	<u>49,644,526</u>	<u>62,920,844</u>	<u>61,521,260</u>
Expenditures				
General government	3,517,651	3,763,510	4,079,736	5,634,423
Environment and development	17,360,844	18,965,051	25,761,076	27,478,666
Public safety	14,976,104	15,342,852	16,900,363	17,666,485
Leisure activities	4,081,517	4,118,714	4,282,116	4,224,267
Nondepartmental	962,489	1,324,805	1,475,398	-
Capital projects	5,516,543	4,672,085	16,676,455	15,964,112
Debt Service:				
Principal	1,670,000	1,675,000	2,180,000	3,090,000
Interest	880,610	884,070	887,200	2,008,005
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>48,965,758</u>	<u>50,746,087</u>	<u>72,242,344</u>	<u>76,065,958</u>
Excess of revenues over (under) expenditures	<u>(4,027,566)</u>	<u>(1,101,561)</u>	<u>(9,321,500)</u>	<u>(14,544,698)</u>
Other Financing Sources (Uses)				
Transfers in	4,246,839	4,981,814	7,450,039	17,737
Transfers out	(3,900,675)	(3,990,101)	(6,863,501)	10,878,467
Proceeds from bonds	-	30,000,000	-	4,967,737
Advance refunding	-	-	-	-
Premium on debt	-	-	-	-
Proceeds from installment notes	1,395,000	966,733	-	3,100,000
Total other financing sources (uses)	<u>1,741,164</u>	<u>31,958,446</u>	<u>586,538</u>	<u>18,963,941</u>
Net change in fund balances	<u>\$ (2,286,402)</u>	<u>\$ 30,856,885</u>	<u>\$ (8,734,962)</u>	<u>\$ 4,419,243</u>
Debt service as a percentage of non capital expenditures	6.57%	6.34%	6.01%	8.78%

Table 4

Fiscal Year											
2008		2009		2010		2011		2012		2013	
\$	38,668,055	\$	41,200,989	\$	41,784,629	\$	42,477,404	\$	43,862,452	\$	44,395,971
	25,753,577		16,756,296		15,041,738		11,408,533		10,878,999		18,592,238
	2,826,213		3,216,330		2,832,317		3,189,110		2,892,632		3,133,935
	1,721,627		2,200,422		1,765,769		1,591,840		1,917,775		2,369,155
	1,112,630		261,025		88,220		71,324		34,258		91,575
	2,426,785		1,400,511		1,304,865		1,685,586		1,342,021		2,623,976
	<u>72,508,887</u>		<u>65,035,573</u>		<u>62,817,538</u>		<u>60,423,797</u>		<u>60,928,137</u>		<u>71,206,850</u>
	6,190,609		7,272,596		7,337,428		8,280,508		8,838,537		9,493,289
	25,779,963		21,590,608		20,858,543		13,970,608		13,666,918		14,398,580
	18,567,074		18,686,914		19,082,389		19,733,207		19,323,824		19,547,468
	4,897,425		7,398,605		8,038,538		8,051,450		8,094,096		8,719,780
	-		-		-		-		-		-
	14,012,030		3,836,343		2,778,610		5,102,513		11,116,359		29,185,322
	4,015,000		4,000,000		8,520,000		3,485,000		4,490,000		4,995,000
	2,210,521		1,969,585		1,991,035		1,996,991		2,271,774		2,294,854
	-		-		-		-		-		344,867
	-		-		-		49,528		181,355		241,116
	<u>75,672,622</u>		<u>64,754,651</u>		<u>68,606,543</u>		<u>60,669,805</u>		<u>67,982,863</u>		<u>89,220,276</u>
	(3,163,735)		280,922		(5,789,005)		(246,008)		(7,054,726)		(18,013,426)
	8,473,343		2,573,984		2,047,910		2,157,492		2,237,579		3,348,562
	(8,264,188)		(1,792,158)		(1,548,465)		(1,930,717)		(758,199)		(2,619,870)
	-		-		4,490,000		20,941,878		33,455,000		1,700,000
	-		-		-		-		(26,499,557)		3,050,000
	-		-		266,583		-		4,683,695		(2,700,000)
	-		-		-		-		-		-
	<u>209,155</u>		<u>781,826</u>		<u>5,256,028</u>		<u>21,168,653</u>		<u>13,118,518</u>		<u>2,778,692</u>
\$	<u>(2,954,580)</u>	\$	<u>1,062,748</u>	\$	<u>(532,977)</u>	\$	<u>20,922,645</u>	\$	<u>6,063,792</u>	\$	<u>(15,234,734)</u>
	10.02%		9.75%		16.17%		9.72%		10.94%		8.78%

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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>
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
2012	33,083,532	9,765,972	956,496	56,452	43,862,452
2013	33,306,516	10,049,247	981,716	58,492	44,395,971

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
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
2012		*	*	6,730,528,993	471,001,413
2013		*	*	6,701,285,738	536,958,587

* The breakdown between residential and commercial property is not available for fiscal years prior to 2006 or after 2011.

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)
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%
63,232,013	7,264,762,419	0.494	7,200,106,033	99.11%
66,253,143	7,304,497,468	0.494	7,583,529,271	103.82%

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

Year Taxes Payable	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Chapel Hill within Orange County:			*	
<u>Town Direct Rates:</u>				
General Fund	0.502	0.516	0.474	0.474
Transit	0.051	0.059	0.048	0.048
Debt Service **	-	-	-	-
Total outside Downtown Service District	0.553	0.575	0.522	0.522
Downtown Service District	0.062	0.062	0.053	0.090
Total Direct Rates	0.615	0.637	0.575	0.612
<u>Overlapping Rates:</u>				
Orange County	0.880	0.880	0.843	0.903
Chapel Hill - Carrboro School District	0.200	0.200	0.183	0.189
Total Overlapping Rates	1.080	1.080	1.026	1.092
Total Direct and Overlapping Rates	1.695	1.717	1.601	1.704
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.502	0.516	0.474	0.474
Transit	0.051	0.059	0.048	0.048
Debt Service	-	-	-	-
Total Direct Rates	0.553	0.575	0.522	0.522
<u>Overlapping Rates:</u>				
Durham County	0.763	0.790	0.809	0.809
Total Direct and Overlapping rates	1.316	1.365	1.331	1.331

* 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

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
		*			
0.474	0.423	0.360	0.360	0.378	0.378
0.048	0.048	0.041	0.041	0.041	0.041
-	0.110	0.093	0.093	0.075	0.075
0.522	0.581	0.494	0.494	0.494	0.494
0.090	0.071	0.071	0.071	0.071	0.071
0.612	0.652	0.565	0.565	0.565	0.565
0.950	0.998	0.858	0.858	0.858	0.858
0.204	0.230	0.188	0.188	0.188	0.188
1.154	1.228	1.046	1.046	1.046	1.046
1.766	1.880	1.611	1.611	1.611	1.611
0.474	0.423	0.360	0.360	0.378	0.378
0.048	0.048	0.041	0.041	0.041	0.041
-	0.110	0.093	0.093	0.075	0.075
0.522	0.581	0.494	0.494	0.494	0.494
0.834	0.708	0.690	0.746	0.746	0.744
1.356	1.289	1.184	1.240	1.240	1.238

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
Greenbridge Development LLC	Residential Condos
East 54 Associates	Development
Blue Cross and Blue Shield of North Carolina	Health Insurance
Corium LLC	Health Insurance
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
ACC GF III Chapel Ridge/Chapel View	Apartment Rental
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
Europa Center LLP	Office Building
Granville Towers LLC	Apartments
Southern Village Apartments	Apartment Rental
Chapel Hill Foundation Real Estate (University Square) (formerly US GT LLC)	Shopping Center
Vac Limited Partnership	Apartment Rental
Bell South Telephone Company	Public Utility
Meadowmont JV LLC	Development
Estates at Chapel Hill	Apartment Rental

Totals

Total assessed valuation

Sources:

- (1) 2003-2004 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2013			Fiscal Year 2004		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
\$ 49,153,900	1	0.67%			
47,361,029	2	0.65%			
35,751,416	3	0.49%	35,430,128	1	0.82%
35,399,116	4	0.48%	25,608,158	5	0.59%
34,242,019	5	0.47%	20,577,573	9	0.48%
34,214,712	6	0.47%			
33,928,285	7	0.46%	20,594,783	8	0.48%
27,665,143	8	0.38%	24,273,824	6	0.56%
26,184,800	9	0.36%			
25,076,719	10	0.34%			
			35,126,445	2	0.82%
			32,283,091	3	0.75%
			27,671,141	4	0.64%
			23,616,296	7	0.55%
			18,808,243	10	0.44%
\$ <u>348,977,139</u>		<u>4.78%</u>	\$ <u>263,989,682</u>		<u>6.13%</u>
\$ <u>7,304,497,468</u>			\$ <u>4,305,336,972</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	
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%	145,619	30,386,401	99.91%	(1) 115,177
2009	33,972,050	33,779,684	99.43%	139,190	33,918,874	99.84%	53,176
2010	35,119,150	34,836,717	99.20%	254,454	35,091,171	99.92%	27,979
2011	35,604,158	35,284,111	99.10%	258,936	35,543,047	99.83%	61,111
2012	35,887,926	35,604,067	99.21%	-	35,604,067	99.21%	283,859
2013	36,084,217	35,809,148	99.24%	-	35,809,148	99.24%	275,069

* 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	Limited Obligation Bonds	Certificates of Participation	Installment Loans
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
2012	31,445,000	28,800,000	-	4,650,441
2013	30,820,000	26,585,000	-	4,172,666

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		Per Capita Personal Income	Per Capita	Percentage of Personal Income
Certificates of Participation	Total Primary Government		(1)	(1)
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%
-	64,895,441	46,713	1,124	2.41%
-	61,577,666	46,713	1,066	2.28%

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

Fiscal Year	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General bonded debt outstanding				
General obligation bonds	\$ 18,400,000	\$ 20,725,000	\$ 18,545,000	\$ 21,630,000
Percentage of estimated actual property value (1)	0.43%	0.46%	0.38%	0.40%
Per capita (2)	\$ 554	\$ 558	\$ 480	\$ 522

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 19,515,000	\$ 17,415,000	\$ 15,285,000	\$ 34,110,000	\$ 31,445,000	\$ 30,820,000
0.34%	0.30%	0.22%	0.46%	0.42%	0.42%
\$ 471	\$ 397	\$ 325	\$ 712	\$ 656	\$ 643

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013**

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	\$ 205,414,855	42.10%	\$ 86,469,461
Durham County	273,900,000	1.76%	4,834,013
Total overlapping debt			<u>91,303,474</u>
Total direct debt			<u>30,820,000</u>
Total direct and overlapping debt			<u><u>\$ 122,123,474</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total assessed valuation	\$ 4,305,436,972	\$ 4,458,136,168	\$ 5,299,402,374	\$ 5,472,958,888
Debt limit - 8% of total assessed valuation	344,434,958	356,650,893	423,952,190	437,836,711
General obligation bonds	18,400,000	20,725,000	18,545,000	21,630,000
Bonds authorized but unissued	29,360,000	25,360,000	25,360,000	20,410,000
Net debt applicable to debt limit	<u>47,760,000</u>	<u>46,085,000</u>	<u>43,905,000</u>	<u>42,040,000</u>
Legal debt margin	<u>\$ 296,674,958</u>	<u>\$ 310,565,893</u>	<u>\$ 380,047,190</u>	<u>\$ 395,796,711</u>
Legal debt margin as a percentage of the debt limit	86.13%	87.08%	89.64%	90.40%

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, 2013 totalled \$30,820,000.
This total is less than 1% of the Town's June 30, 2013 tax base (\$7.30 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2012/2013 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 5,659,756,385	\$ 5,835,597,388	\$ 7,045,574,326	\$ 7,411,059,390	\$ 7,264,762,419	\$ 7,304,497,468
452,780,511	466,847,791	563,645,946	592,884,751	581,180,994	584,359,797
19,515,000	17,415,000	15,285,000	34,110,000	31,445,000	30,820,000
20,410,000	20,410,000	20,410,000	-	-	-
<u>39,925,000</u>	<u>37,825,000</u>	<u>35,695,000</u>	<u>34,110,000</u>	<u>31,445,000</u>	<u>30,820,000</u>
<u>\$ 412,855,511</u>	<u>\$ 429,022,791</u>	<u>\$ 527,950,946</u>	<u>\$ 558,774,751</u>	<u>\$ 549,735,994</u>	<u>\$ 553,539,797</u>
91.18%	91.90%	93.67%	94.25%	94.59%	94.73%

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

Table 14

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
2004	51,485	3,910,401	33,211	24.2	15.82	37,587	4.1%
2005	51,519	4,384,443	37,121	24.2	15.82	37,308	3.4%
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.0%
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	3.1%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	4.5%
2010	56,778	5,976,341	47,063	25.6	15.82	39,428	5.6%
2011	57,233	6,186,352	47,925	25.6	15.82	41,139	5.4%
2012	57,757	6,268,886	46,713	25.6	15.82	41,059	5.6%
2013	58,424	6,608,945	48,683	25.6	15.82	41,402	5.6%

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, Local Area Unemployment Statistics

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

Table 15

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
(1)	(2)					
University of North Carolina at Chapel Hill	16,217	1	42.9%		1	
University of North Carolina Hospitals	7,964	2	21.1%	Not available	2	Not available
Blue Cross Blue Shield of NC	1,239	3	3.3%	available	3	available
Carrboro-Chapel Hill Schools	2,138	4	5.7%		4	
Town of Chapel Hill	745	5	2.0%		5	
Total	28,303		74.8%			Not available
Total Town Employment	(2) 37,831			Not available		

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

(2) Source: Orange County Economic Development. Most recent year available.

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

Function/Program	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government:				
Finance				
Purchase orders issued	2,082	2,080	2,135	2,386
Human Resources				
Recruitment for positions	86	56	74	79
Public Works				
Streets resurfaced (miles)	6	6.05	5.45	5.71
Refuse collected (tons)	23,836	22,231	21,838	21,541
Economic and development:				
Planning/Inspections				
Building permits issued	903	961	716	755
Public safety:				
Police				
Calls for service*	29,385	30,754	32,871	42,428
Traffic citations	3,902	4,682	4,885	6,716
Fire				
Emergency responses	1,787	1,811	2,208	3,349
Property losses	\$ 2,244,200	\$ 232,025	\$ 594,200	\$ 3,312,435
Inspections	1,327	1,312	1,218	730
Leisure activities:				
Parks and Recreation				
Program/league registrants**	37,312	38,343	38,141	35,250
Pass memberships				
Class registrations				
Daily visits				
Transit				
Service miles	2,180,107	2,140,275	2,479,470	2,396,497
Parking				
Citations issued	19,595	19,781	20,043	18,731
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***			258	193

* 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
2,222	1,411	1,275	1,278	1,350	1,372	
84	88	72	54	39	43	
5.71	5.87	8.09	n/a	6.4	6.0	
19,821	16,502	15,501	14,700	14,656	14,711	
610	692	792	581	1,007	884	
42,691	34,273	44,588	36,596	36,206	36,094	
6,439	5,605	5,590	4,664	4,996	5,087	
2,274	2,352	4,113	4,723	4,318	4,194	
\$ 2,875,631	\$ 2,317,857	\$ 2,315,123	\$ 880,880	\$ 1,418,764	\$ 2,449,214	
714	1,436	2,334	1,155	1,252	761	
35,758	35,389	n/a	n/a	n/a	n/a	
		3,168	2,719	3,631	5,514	
		2,563	3,086	6,142	3,797	
		131,840	118,605	114,450	115,503	
2,247,250	2,190,575	2,938,507	2,800,468	2,598,465	2,467,578	
18,864	17,136	16,977	14,949	13,130	12,968	
223	234	n/a	n/a	n/a	n/a	

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

Function/Program	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government:				
Public Works				
Streets (miles)	153.1	156.6	162.3	164.2
Street lights	3,006	3,008	3,005	3,075
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	150,408	158,673	168,109	170,586
Transportation				
Number of buses	83	86	86	89
Number of vans	14	11	18	18
Parking				
Number of spaces available	889	889	887	890
Housing				
Number of units occupied	310	325	329	320

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
165.1	164.9	165.3	165.4	165.7	162.7	
3,161	3,260	3,313	3,313	3,396	3,422	
5	5	5	5	5	5	
2	2	2	2	2	2	
2	3	5	4	4	4	
5	5	5	5	5	5	
15	15	15	15	15	15	
178,687	164,040	181,046	182,800	186,290	200,105	
98	96	99	98	98	99	
15	15	19	19	19	17	
880	913	957	948	957	1,111	
316	322	326	321	308	321	

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

Table 18

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	6	6	6	7.53	6.8	7	8	8	9.8	7
Communication and Public Affairs	4.53	4.53	4.53	4.53	7.53	9.13	9.13	9.13	7.33	6.53
Human resources	8	8	8	8	8	8	8	8	8	8
Finance	11.33	11.33	12.33	12.33	12.53	14	14	14	15	15
Information technology	5	6	7	7	7	8	8	9	8	8
Legal	2	2	2	2	2	2	2	2	2	2
Public Works (C,D)	128	129	129	124	114	78	76.75	85	76.25	65.25
Environment and development:										
Planning	15.53	16.19	16.19	18.56	19.56	21.1	21.06	20.53	20.53	17.75
Inspections	10.53	10.53	9	9	9	8	8	8	8	8
Engineering	13	12	11.8	19	20	23	23	23	23	23
Housing (A)	18	18	-	-	-	-	-	-	-	-
Public Safety:										
Police	134	138	138	144	144	144	144	145	145	139
Fire	74	74.53	74.53	86.53	86.53	93.5	93.53	93.53	93.53	90
Leisure activities:										
Parks & Recreation (C)	21.38	21.91	22.79	23.26	22.59	56.79	58.84	58.84	58.84	53.51
Library	28	28	28	29	29	29.2	29.2	29.08	29.08	30.39
Transit	159.09	161.59	164.59	167.79	171.46	176	185.98	195.33	195.33	171.73
Parking	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	11.8
Housing (A)	-	-	18	17	18	18	18	17	17	16
Stormwater (B,D)	-	4	5.2	5.2	7	14	14	14	14	14
Vehicle Maintenance	-	-	-	-	-	-	-	-	-	7.75
Downtown Service	-	-	-	-	-	-	-	-	-	1
Total	652.19	665.41	670.76	698.53	698.8	723.52	735.29	753.24	744.49	696.71

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*

Independent Auditor's Report

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

We have audited, 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, 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, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprises the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Chapel Hill's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chapel Hill's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chapel Hill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 23, 2013

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

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

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Chapel Hill's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Chapel Hill's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chapel Hill's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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, non-compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 23, 2013

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Chapel Hill, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Chapel Hill's major State programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major State programs based on our audit of the types of compliance requirements referred to above. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, 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 non-compliance 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 on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Chapel Hill's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chapel Hill's internal control over compliance with the requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Chapel Hill'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, non-compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 23, 2013

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
CDBG- Entitlement Grants Cluster	14.218, 14.253, 14.254
Public and Indian Housing - Operating	14.850
Federal Transit Cluster	20.507, 20.500, 20.525, 20.526
Transit Services Programs Cluster	20.516, 20.513, 20.521
Energy Efficiency and Conservation Block	81.128

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Dollar threshold used to distinguish between
Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over major State programs:

• Material weaknesses identified? _____ Yes X No

• Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X No

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

Unmodified

Any findings disclosed that are required to
be reported in accordance with the State
Single Audit Implementation Act?

_____ Yes X No

Identification of major State programs:

Powell Bill/DOT

State Maintenance Assistance for Urban and Small Urban Areas

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

None reported

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

None reported

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

None reported

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013**

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 CLUSTER:						
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0005	356,920	25,960	26,082	(19,592)
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	210	-	53
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-01	2,564,520	1,920	702	(222)
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X478-00	2,542,369	3,004	-	750
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-95-X048-00	579,270	137,994	-	34,500
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X519-00	45,633	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-95-X041-00	1,505,000	9,503	4,316	(1,941)

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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	20.507	NC-04-0040	1,349,187	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X497-00	82,243	9,546	-	2,386
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.500	NC-04-0051	9,000,000	7,436,423	714,987	(259,365)
<i>Subtotal Direct Federal Transit Cluster</i>			20,834,870	7,624,560	746,087	(243,431)
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	NC-37-X021	215,800	76,620	-	54,535
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	12-ED-911	120,000	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	13-ED-911	262,000	17,374	-	17,374
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	11-ED-002	537,683	37,099	4,637	4,639
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	11-JA-002	750,000	-	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 Capital and Planning Formula Grant	20.516	NC-37-X018-00	432,474	-	-	(235)
<i>Subtotal Direct Transit Services Program Cluster</i>				<i>131,093</i>	<i>4,637</i>	<i>76,313</i>
<i>Passed-Through City of Durham, North Carolina:</i>						
Federal Transit Administration - Section 104(f) Planning Grant	20.505	PL 104(F)	86,755	64,794	-	16,199
Federal Transit Administration - Section 5303	20.505	11-08-103	139,199	107,485	13,435	13,436
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7)	125,000	94,946	-	23,736
				<i>267,225</i>	<i>13,435</i>	<i>53,371</i>
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	169,936	9,750	-	9,750
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	127,374	26,686	-	26,686
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	97,600	14,050	-	14,014

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 Capital Grant	20.521	New Freedom - 5317	132,000	33,700	-	33,700
<i>Subtotal Pass-Through Transit Services Program Cluster</i>			<i>526,910</i>	<i>84,186</i>	<i>-</i>	<i>84,150</i>
Total U.S. Department of Transportation				8,107,064	764,159	(29,597)
Federal Highway Administration						
<i>Passed-Through NC Department of Transportation:</i>						
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER						
NCDOT - Safe Routes to School Grant	20.205	U-1236	50,000	50,000	-	-
NCDOT MPO Grant - Drainage Grate - MLK	20.205	U-4726 M	10,000	-	-	-
NCDOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	200,000	106,366	-	26,592
NCDOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	14,907	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205		500,000	200,957	-	50,239
<i>Total Pass-through Highway Planning and Construction Cluster -</i>				<i>357,323</i>		<i>76,831</i>
Total Federal Highway Administration				357,323	-	76,831
U.S. Department of Housing and Urban Development						
CDBG ENTITLEMENT GRANTS CLUSTER:						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement	14.218	MC-37-0016	6,472,919	625,237	-	35,881

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Community Development Block Grant Entitlement - (ARRA)	14.254	MY-37-0016	156,110	-	-	-
<i>Subtotal Direct CDBG Entitlement Grants Cluster</i>				<i>625,237</i>	<i>-</i>	<i>35,881</i>
PUBLIC & INDIAN HOUSING						
Public and Indian Housing Program - Operating	14.850	NC046-00000113D/213D	1,150,068	1,150,068	-	-
Rental and other income			-	-	-	800,165
<i>Subtotal Direct Public & Indian Housing Cluster</i>				<i>1,150,068</i>	<i>-</i>	<i>800,165</i>
PUBLIC HOUSING CAPITAL FUND CLUSTER - CFP						
Public and Indian Housing - Capital Fund	14.872	NC-19P04650108	578,700	-	-	-
	14.872	NC-19P04650109	595,500	372,094	-	-
	14.872	NC-19P04650110	594,401	108,933	-	-
	14.872	NC-19P04650111	506,097	55,377	-	-
	14.872	NC-19P04650112	448,270	22,597	-	-
	14.872	NC-046REF025A004	248,240	-	-	-
	14.885	NC-19S04650109 (ARRA)	732,519	-	-	-
<i>Subtotal Direct CFP Cluster</i>				<i>559,001</i>	<i>-</i>	<i>-</i>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 Orange County, North Carolina:</i>						
HOME INVESTMENT PARTNERSHIP PROGRAM						
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	-	-	-
				-	-	7,166
<i>Subtotal pass-through HOME Program</i>				-	-	7,166
Total U.S. Department of Housing and Urban Development				2,334,306	-	843,212
U.S. Department of Justice						
<i>Direct Programs:</i>						
Bulletproof Vest Partnership Program	16.607		16,744	15,601	-	421
Total U.S. Department of Justice				15,601	-	421
U.S. Department of Homeland Security						
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Federal Mediation and Conciliation Services Youth Initiative Partnership	34.001		24,000	1,153	-	-
Total U.S. Department of Homeland Security				1,153	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 Energy						
<i>Direct Programs:</i>						
Energy Efficiency and Conservation Block (ARRA)	81.128	DE-SC0002602	554,900	183,288	-	-
<i>Passed-Through Southeast Energy Efficiency Alliance:</i>						
Energy Efficiency Retrofit (ARRA)	81.128	DE-EE0003575	948,003	615,025	-	34,925
Total U.S. Department of Energy				798,313	-	34,925
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment & Natural Resources:</i>						
EPA Section 319 Grant	15.530		533,620	23,091	-	-
Total U.S. Department of the Interior				23,091	-	-
U.S. Department of Treasury						
Build America Bonds Interest Subsidy	85.676		182,507	182,507	-	-
Total U.S. Department of Treasury				182,507	-	-
TOTAL FEDERAL ASSISTANCE				11,819,358	764,159	925,792

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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			1,452,134	-	1,452,134	-
Interest			64	-	-	64
State Maintenance Assistance for Urban and Small Urban Areas			3,077,868	-	2,757,495	-
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	-	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	-	-
NCDOT Advanced Technology Grant		13-AT-117	61,000	-	-	-
NCDOT Advanced Technology Grant		12-AT-117	65,000	-	10,581	1,177
NCDOT Advanced Technology Grant		11-AT-013	100,000	-	8,395	933
<i>Passed-Through Triangle J Council of Government:</i>						
Transit Demand Grant			85,195	-	38,545	38,544
Total North Carolina Department of Transportation				-	4,267,150	40,718
North Carolina Department of Cultural Resources:						
State Library Aid			28,462	-	28,462	-
TOTAL STATE ASSISTANCE				-	4,295,612	40,718
TOTAL FINANCIAL ASSISTANCE				\$ 11,819,358	\$ 5,059,771	\$ 966,510

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013

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, 2013. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2013, 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.