

**Town of Chapel Hill, North Carolina  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2008**

Prepared by:

Town of Chapel Hill Finance Department



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October 13, 2008

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

Ladies and Gentlemen:

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. We are pleased to submit the Comprehensive Annual Financial Report of the Town of Chapel Hill, North Carolina, for the fiscal year that ended June 30, 2008, which 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, 2008.

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, 2008 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, 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, the Orange Water and Sewer Authority (OWASA). Those activities consist of the full range of municipal services contemplated by statute or the Town Charter. These services include public safety (fire, police and rescue), parking and transportation.

### **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 State population of 54,902 and is the home of the University of North Carolina at Chapel Hill.



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

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

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

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

The annual budget serves as the foundation for the Town of Chapel Hill's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager in January 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, but changes of functions and total budgets of any fund require approval by the Town Council.

Budgetary control is maintained at the department level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are reported as reservations of fund balances at June 30, 2008.

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.

### **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. The Town and Orange County and the Research Triangle Park area continue to experience growth and are considered to be among the most desirable areas of the country to live and work, according to several national surveys.

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 18,000 jobs. These institutions contribute significantly to the low unemployment rate in the Town and Orange County. 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 is considering several new capital projects which could affect Town borrowings and future debt payments.

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

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

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

The Council planned to sell the bonds in four installments. The first installment of \$4 million of these bonds was sold in fall of 2004. The second installment of \$4.95 million was sold in the fall of 2006. The remaining two installment sales total \$20.41 million and are proposed as follows:

Year of Issuance	2008-09	2009-10	Total
Amount	\$4.95 Million	\$11.455 Million	\$20.41 Million

The Town of Chapel Hill is also committed to \$7.2 million in future debt for a \$75 million public/private development project to construct a three-section building complex combining condominiums, retail and underground parking. The complex will be constructed on town-owned Parking Lot 5, facing both Franklin and Rosemary Streets. The project, in addition to retail space, will include 137 condominiums with 21 affordable housing units which will be placed in the Land Trust, nearly 30,000 square feet of office/retail space, and 345 parking spaces. The project will also include about 27,000 square feet of open public space and public art. The town will retain ownership of the site with a land lease and will own 161 parking spaces with 169 spaces for condominium owners. The downtown development project will stimulate the town center, reduce dependency on the automobile and increase the tax-base. When completed, the project is expected to generate about \$1.06 million in new property and sales taxes and parking revenue.

The potential effect of these projects on future property tax rates will be affected by the prevailing interest rates at the time of the various issuances, and the timing of the implementation of the proposed projects and the availability of other sources or cost savings to fund the projects.

In addition to the Town's plans, The University of North Carolina is planning a new living and learning community on approximately 900 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. The Town and the University are 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.

**Cash and Revenue Management.** Cash temporarily idle during the year was invested in a time deposit account and the State Treasurer's investment pool. The average yield on investments was approximately 3.64% during fiscal year 2007-08. The Town earned interest revenue of \$1,112,630 on governmental funds for the year ended June 30, 2008.

The Town's investment policy emphasizes safety and liquidity while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits were either insured by federal depository insurance or fully collateralized. Over 95 percent of the investments held by the Town at June 30, 2008 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. This percentage did not fall below 75 percent at any time during the year.

**Risk Management.** 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. The Town also participates in the Interlocal Risk Management Pool of North Carolina for workers' compensation. The Town's potential loss for liability coverages is limited to the deductible amount of \$2,500 per claim for all coverages, except public officials, which is limited to the deductible amount of \$5,000 per claim. The potential loss for workers' compensation is limited to the deductible amount of \$5,000 per claim.

### **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, 2007.

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 2007-08. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required categories, as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,

Roger L. Stancil  
Town Manager



Kenneth C. Pennoyer  
Business Management Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Chapel Hill  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



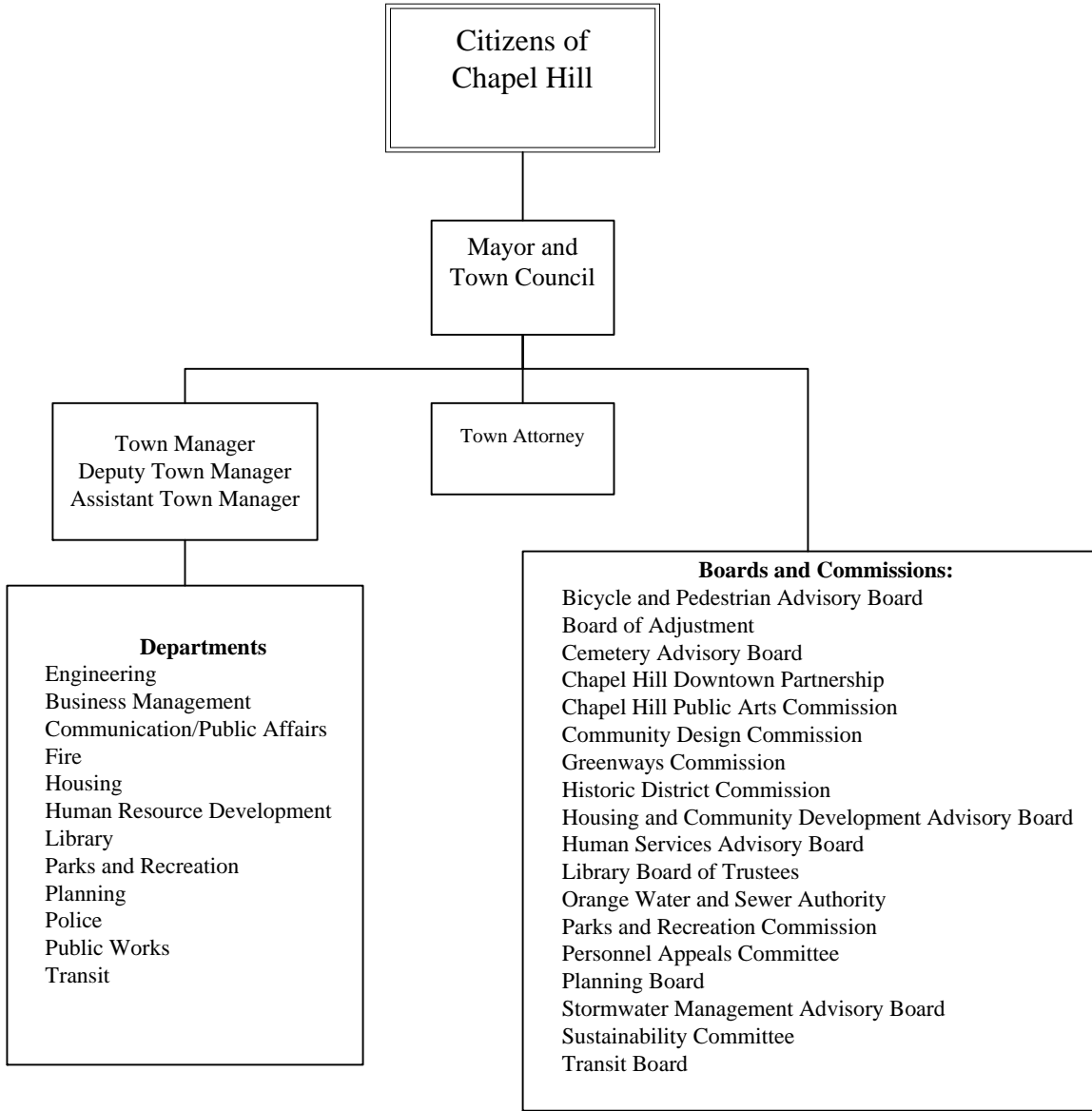
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**TOWN OF CHAPEL HILL ORGANIZATION CHART**



**TOWN OF CHAPEL HILL, NORTH CAROLINA  
THE TOWN GOVERNING BODY AND OFFICIALS  
JUNE 30, 2008  
MEMBERS OF THE GOVERNING BODY**

**Mayor**  
Kevin Foy

**Mayor pro tem**  
Jim Ward

**Council Members**

Matt Czajkowski	Laurin Easthom
Sally Greene	Ed Harrison
Mark Kleinschmidt	Bill Strom
Bill Thorpe	

**Officials**

Roger L. Stancil	Town Manager
Florentine M. Miller	Deputy Town Manager
Bruce A. Heflin II	Assistant Town Manager
Kenneth C. Pennoyer	Director Business Management
Ralph D. Karpinos	Town Attorney





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Martin Starnes & Associates, CPAs, P.A.

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chapel Hill, North Carolina's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Orange Water and Sewer Authority. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange Water and Sewer Authority is based solely on the report of another auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Orange Water and Sewer Authority were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the Town of Chapel Hill, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress, Schedule of Employer Contributions, and related notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Chapel Hill, North Carolina. The introductory section, combining and individual nonmajor fund financial statements and schedules budget to actual schedules, supplemental ad valorem tax schedules, other supplemental schedules, statistical tables, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Martin Starnes + Associates CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
October 24, 2008

# 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, 2008. The financial statements and notes included in this report present the financial position and operations of governmental and business activities and fiduciary responsibilities 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

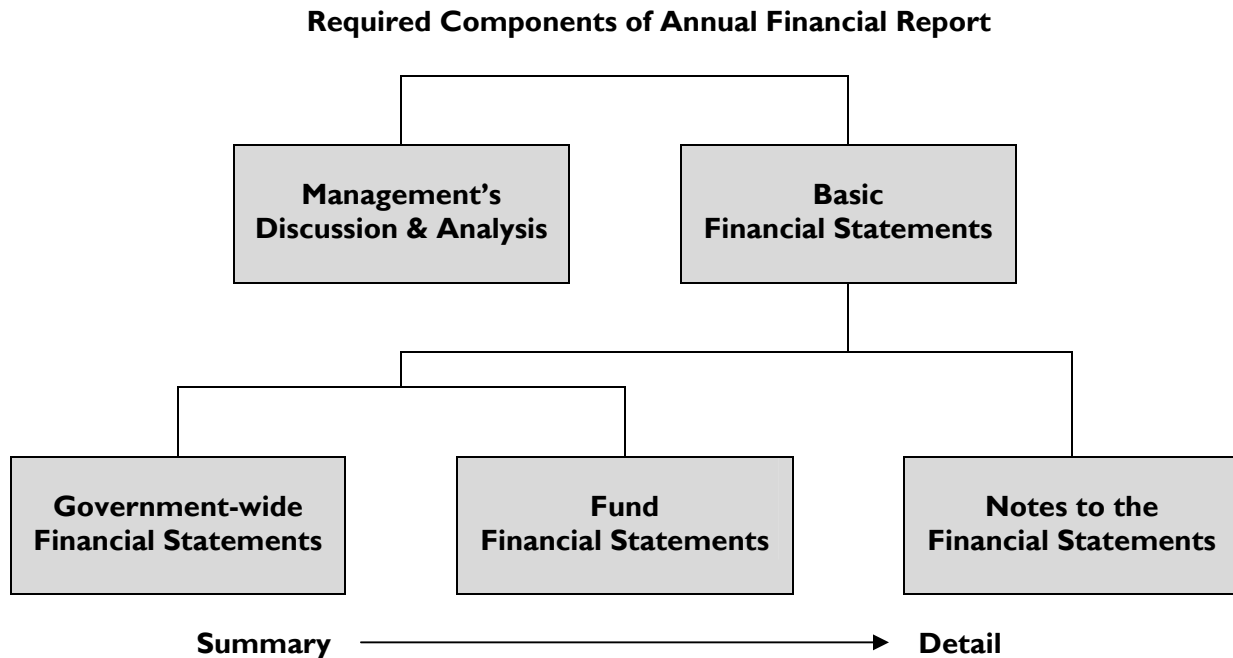
Highlights of the Town's fiscal year ended June 30, 2008, include:

- Chapel Hill's total assets increased \$17.5 million to \$218.7 million. The increase largely reflects capital construction during the year toward the creation of Southern Community Park and Homestead Aquatics Center, the renovation of North Columbia Street public housing units and the Community Center, and final work toward completion of the Town Operations Center.
- At June 30, 2008, total net assets of \$151.8 million included \$34.1 million (unrestricted net assets), which in large part have been reserved for specific purposes or are needed for working capital to meet the Town's ongoing services to citizens and obligations to creditors.
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$31.5 million, a decrease of nearly \$2.9 million in comparison with the prior year. The decrease in governmental funds is largely due to the decrease in the Capital Projects Ordinance fund's reserve for capital improvements.
- Undesignated fund balance of the General Fund (totaling approximately \$9.9 million after \$2.7 million has been designated for the 2008-09 budget) 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 decreased by \$4.4 million to \$53.9 million.
- Property taxes supported 49% of the governmental services to citizens and the community in 2008.

# Management's Discussion and Analysis

- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

## Overview of the Financial Statements



## Basic Financial Statements

This discussion and analysis serves as an introduction to Chapel Hill's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Chapel Hill, including a 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.

# Management's Discussion and Analysis

## Government-wide Financial Statements

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

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

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

## Fund Financial Statements

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

**Governmental Funds** are used to account for basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds use an accounting method called modified accrual accounting. This method provides a short-term spending focus. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**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.

# Management's Discussion and Analysis

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 65 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. Required supplementary information can be found beginning on page 67 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 statements. The Town adopts an annual budget for its General Fund and other governmental funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and the Town Council about which services to provide and how to pay for them. The budget also authorizes the Town to obtain funds from identified sources to finance current period activities. The budgetary statements demonstrate compliance with the budget ordinance and performance of services planned at budget adoption.

## Government-Wide Financial Analysis

Figure 2 below is a summary of net assets for the Town of Chapel Hill at June 30, 2008 (as shown in Exhibit 1) with comparative data from June 30, 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 39,773,756	\$ 41,710,949	\$ 11,281,010	\$ 9,742,428	\$ 51,054,766	\$ 51,453,377
Capital assets	115,098,485	104,244,612	52,567,504	45,526,859	167,665,989	149,771,471
<b>Total assets</b>	<b>154,872,241</b>	<b>145,955,561</b>	<b>63,848,514</b>	<b>55,269,287</b>	<b>218,720,755</b>	<b>201,224,848</b>
Current liabilities	11,172,594	11,542,503	1,701,021	1,855,422	12,873,615	13,397,925
Non-current liabilities	48,717,293	52,926,800	5,242,215	5,530,313	53,959,508	58,457,113
<b>Total liabilities</b>	<b>59,889,887</b>	<b>64,469,303</b>	<b>6,943,236</b>	<b>7,385,735</b>	<b>66,833,123</b>	<b>71,855,038</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	68,983,330	59,989,329	47,412,337	39,846,859	116,395,667	99,836,188
Restricted	1,661,566	1,217,399	-	-	1,661,566	1,217,399
Unrestricted	24,337,458	23,279,530	9,492,941	8,036,693	33,830,399	31,316,223
<b>Total net assets</b>	<b>\$ 94,982,354</b>	<b>\$ 84,486,258</b>	<b>\$ 56,905,278</b>	<b>\$ 47,883,552</b>	<b>\$ 151,887,632</b>	<b>\$ 132,369,810</b>

## Management's Discussion and Analysis

The assets of the Town of Chapel Hill exceeded liabilities by nearly \$152 million as of June 30, 2008. The Town's net assets increased by \$19.5 million for the fiscal year, however, the largest portion (76.6%) of net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A portion of the Town of Chapel Hill's net assets (approximately \$1.6 million) represents resources that are subject to external restrictions on how they may be used. The total unrestricted net assets show a balance of \$33.8 million.

Figure 3 on the following page presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2008, with comparative data for June 30, 2007.

# Management's Discussion and Analysis

## Town of Chapel Hill's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,498,268	\$ 4,405,218	\$ 4,880,349	\$ 4,992,222	\$ 10,378,617	\$ 9,397,440
Operating grants and contributions	5,575,312	4,956,763	12,748,532	11,690,055	18,323,844	16,646,818
Capital grants and contributions	16,641,248	9,154,416	9,927,751	11,150,111	26,568,999	20,304,527
General revenues:						
Taxes	38,668,055	37,055,809	2,794,787	2,623,726	41,462,842	39,679,535
Grants and contributions not restricted to specific programs	3,537,017	2,935,113	-	-	3,537,017	2,935,113
Other	2,588,987	3,031,678	323,160	419,987	2,912,147	3,451,665
Total revenues	72,508,887	61,538,997	30,674,579	30,876,101	103,183,466	92,415,098
<b>Expenses:</b>						
General government	6,528,356	5,780,346	-	-	6,528,356	5,780,346
Environment and development	29,260,757	25,719,997	-	-	29,260,757	25,719,997
Public safety	18,593,745	17,844,886	-	-	18,593,745	17,844,886
Leisure activities	5,649,567	4,977,126	-	-	5,649,567	4,977,126
Nondepartmental	-	-	-	-	-	-
Interest expense	2,210,521	2,008,005	-	-	2,210,521	2,008,005
Transportation	-	-	16,215,262	14,881,026	16,215,262	14,881,026
Parking facilities	-	-	1,612,632	1,585,035	1,612,632	1,585,035
Stormwater management	-	-	1,391,604	2,263,074	1,391,604	2,263,074
Housing operations	-	-	2,203,200	1,209,350	2,203,200	1,209,350
Total expenses	62,242,946	56,330,360	21,422,698	19,938,485	83,665,644	76,268,845
Increase (decrease) in net assets before transfers	10,265,941	5,208,637	9,251,881	10,937,616	19,517,822	16,146,253
Transfers	230,155	2,619,973	(230,155)	(2,619,973)	-	-
Increase (decrease) in net assets Net assets, July 1	10,496,096	7,828,610	9,021,726	8,317,643	19,517,822	16,146,253
Net assets, July 1	84,486,258	76,657,648	47,883,552	39,565,909	132,369,810	116,223,557
Net assets, June 30	\$ 94,982,354	\$ 84,486,258	\$ 56,905,278	\$ 47,883,552	\$ 151,887,632	\$ 132,369,810

**Governmental activities.** Governmental activities show an increase in net assets of nearly \$10.5 million. The increase is principally due to the capital grants for the purchase of buses and completion of construction of the transit part of the Town Operations Center.

**Business-type activities:** Business-type activities increased Chapel Hill's net assets by \$9 million. The increase in net assets comes primarily from the Transportation Fund where capital contributions from capital grants totaled \$8 million. The Parking Facilities Fund, Housing Operating fund and the Stormwater Management Fund all had increases in net assets as a result of operations.



# Management's Discussion and Analysis

## Financial Analysis of the Town's Funds

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

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

At June 30, 2008, the governmental funds of Chapel Hill reported a combined fund balance of \$31.5 million, an 8.5% decrease from last year. This change is due to a decrease in fund balance in the Capital Projects Ordinance Fund as debt proceeds were spent for construction.

The General Fund is the chief operating fund of Chapel Hill. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$12.6 million, of which \$9.9 million is undesignated, while total fund balance reached \$19.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both total and undesignated fund balance to total fund expenditures. Undesignated fund balance represents 19.9%, and total fund balance, which includes reserves and designated amounts, represents 40%, of total 2007-08 General Fund expenditures and other uses, respectively. The total fund balance increased by just over \$2 million.

**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. This year the actual revenues were approximately \$3.6 million more than budgeted due in large part to a one-time windfall from a property tax settlement by Durham County that contributed to property taxes exceeding budget by nearly \$1.4 million. Other sources include the net of utility franchise fees and cable public access fees exceeding budget by about \$490,000. The Video Service Competition Act replaced historic cable franchise fees with a video programming fee to be distributed by the State, and 2007-08 was the first full year of the State's distribution of the replacement revenue. Other intergovernmental revenues that exceeded budget were Powell Bill (fuel tax) and State Fire Protection fees by \$189,000 and \$137,000, respectively. Revenue in lieu and other miscellaneous revenue accounted for \$418,000 in revenues over budget.

Expenditures were approximately \$4 million less than budgeted. The underexpenditure primarily reflects efforts by Town departments to conserve or curtail spending, with Public Works and Engineering nearly \$1.3 million under budget alone. Public Works also benefited from a mild winter during 2007-08, reducing requirements for road clearing, debris cleanup and heating of buildings. In light of the unprecedented increase in the price of fuel, conservation measures were instrumental in bringing the Town's departments within budget. About \$1.6 million of budget over actual expenditures represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

# Management's Discussion and Analysis

**Proprietary Funds.** Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Enterprise Funds at the end of the fiscal year were \$4,031,000 for the Transportation Fund, \$2,498,000 for the Parking Facilities Fund, \$1,245,000 for the Housing Operating Fund and \$1,718,000 for the Stormwater Management Fund. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** Figure 4 below represents the Town of Chapel Hill's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2008, totals \$167,666,000 compared with \$149,771,000 in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 26,284,497	\$ 25,844,405	\$ 6,551,034	\$ 6,551,034	\$ 32,835,531	\$ 32,395,439
Land improvements	5,144,183	4,946,979	1,452,491	1,665,417	6,596,674	6,612,396
Infrastructure	20,959,881	21,449,654	-	-	20,959,881	21,449,654
Buildings and building improvements	12,726,516	13,842,377	9,391,533	8,677,389	22,118,049	22,519,766
Equipment	714,134	695,951	189,750	226,053	903,884	922,004
Vehicles	4,589,254	4,236,946	15,408,689	10,169,762	19,997,943	14,406,708
Construction in progress	44,680,020	33,228,300	19,574,008	18,237,204	64,254,028	51,465,504
<b>Total</b>	<b>\$ 115,098,485</b>	<b>\$ 104,244,612</b>	<b>\$ 52,567,505</b>	<b>\$ 45,526,859</b>	<b>\$ 167,665,990</b>	<b>\$ 149,771,471</b>

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

- \$4,605,000 for work on Southern Community Park;
- \$4,651,000 for renovations to Homestead Aquatics Center;
- \$1,573,700 for work on the Town Operations Center;
- \$1,039,800 for various sidewalks and other pedestrian amenities;
- \$ 539,200 for design and art for the Library renovation project;
- \$ 677,600 for renovations to the Community Center;
- \$ 443,600 for miscellaneous parks and trails projects;
- \$ 392,300 for public housing capital renovation, and
- \$ 196,700 on cemetery renovations and various other projects.

No major demolitions were recorded this year.

# Management's Discussion and Analysis

Additional information on the Town's capital assets can be found on pages 48-51 of the Notes to the Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 19,515,000	\$ 21,630,000	\$ -	\$ -	\$ 19,515,000	\$ 21,630,000
Installment notes payable	9,080,308	9,424,561	-	-	9,080,308	9,424,561
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	323,106	368,676	-	-	323,106	368,676
Compensated absences	2,075,526	1,906,268	580,120	526,742	2,655,646	2,433,010
Certificates of participation	23,135,000	24,500,000	5,430,000	5,680,000	28,565,000	30,180,000
<b>Total</b>	<b>\$ 54,252,086</b>	<b>\$ 57,952,651</b>	<b>\$ 6,010,120</b>	<b>\$ 6,206,742</b>	<b>\$ 60,262,206</b>	<b>\$ 64,159,393</b>

**Long-term Debt.** As of June 30, 2008, the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$19,515,000. The Town also had \$23,135,000 of debt in certificates of participation to fund construction of the Town Operations Center.

The Town's total debt from governmental activities decreased by \$3.9 million or 6.3%, to just over \$54.2 million during the past fiscal year. The decrease represents payments made during the year toward general obligation bonds and other debt. The only additional debt incurred by the town during the year was installment notes payable for the purchase of vehicles. Business-type debt decreased by \$190,000 to just over \$6 million.

As mentioned in the financial highlights section of this document, at June 30, 2008 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 \$433 million, well above the town's outstanding debt for general obligation bonds of approximately \$19.5 million, which is about 4% 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 52 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's unemployment rate of about 4% is below the state average.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.
- The average home selling price in 2006 for Chapel Hill was \$387,451, compared with average home selling prices in Wake County at \$249,944, Orange County at \$235,633 and Durham County at \$189,316.

## Budget Highlights for the Fiscal Year Ending June 30, 2009

### Governmental Activities:

General Fund revenues budgeted for FY09 total \$49.6 million, including the use of \$2.7 million in fund balance, reflecting a decrease of 5% from the budget for 2007-08. The FY09 budget allocates a portion of the property tax rate to debt service, rather than to the General Fund which previously funded debt service with a transfer. Property taxes are expected to increase 1.8% in 2008-09 over 2007-08. Other revenues are relatively flat, with small increases in state-shared revenues and charges for services. Budgeted expenditures of \$49.6 million in the General Fund represent a 4.8% decrease from 2007-08 without the \$5.6 million transfer to debt service. All other costs in the general fund are expected to rise 6%. The largest expenditure increases are expected to result from costs of moving into the new Aquatics Center and Southern Community Park. Other increases are for employee compensation, including compensation and benefits adjustments.

Other governmental activities budgeted for 2008-09 include completion of the capital projects for Southern Community Park and the Aquatics Center, and the purchase of additional and replacement buses by the Transit Grant special revenue fund with the help of federal and state grants. Debt service costs in 2008-09 are budgeted at \$6.4 million, an increase of 14%. Debt that had previously been managed through the annual CIP Fund will be consolidated in the Debt Service fund in the 2008-09.

### Business – type Activities:

The Town continued the policy of providing fare-free service for most transit services. As a result of the increased costs related to moving to new facilities, the unprecedented rise in the cost of fuel and employee compensation and benefit adjustments, the budget for the transportation department has increased by \$1.5 million or 10.8%. The increase in cost is partially offset by additional grants totaling \$350,000. Parking Facilities Fund revenues are expected to decrease approximately 1.1% because of the closing of Lot 5 for development of a mixed-use project consisting of commercial, retail, housing and underground parking facility. Housing Operating revenues and expenditures are budgeted at modest increases over this year. Stormwater Management's budget for FY08 reflects an increase of 41.6% over 2007-08 due to the transfer of the Drainage Maintenance division from Public Works, adding about \$200,000 to the Stormwater budget. In addition, \$530,000 in capital drainage projects are planned. The increase in expenses requires the use of \$776,000 in fund balance.

# Management's Discussion and Analysis

## **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.

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**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 21,447,206	\$ 10,016,410	\$ 31,463,616	\$ 6,556,847
Taxes receivable, net	210,416	-	210,416	-
Accounts receivable, net	401,539	138,197	539,736	3,918,348
Due from other governments	8,969,558	-	8,969,558	-
Inventories	174,859	688,912	863,771	751,178
Prepaid items	361,040	117,102	478,142	15,191
Restricted cash and cash equivalents	1,937,456	62,556	2,000,012	7,077,816
Total current assets	<u>33,502,074</u>	<u>11,023,177</u>	<u>44,525,251</u>	<u>18,319,380</u>
Non-current assets:				
Restricted cash and cash equivalents	6,125,750	-	6,125,750	1,685,849
Deferred charges	-	257,833	257,833	1,024,634
Bond discount	145,932	-	145,932	-
Capital assets (Note F):				
Land and construction in progress	70,964,517	26,125,042	97,089,559	87,258,865
Other capital assets, net of accumulated depreciation	44,133,968	26,442,463	70,576,431	194,130,106
Total capital assets	<u>115,098,485</u>	<u>52,567,505</u>	<u>167,665,990</u>	<u>281,388,971</u>
Total non-current assets	<u>121,370,167</u>	<u>52,825,338</u>	<u>174,195,505</u>	<u>284,099,454</u>
Total assets	<u>154,872,241</u>	<u>63,848,515</u>	<u>218,720,756</u>	<u>302,418,834</u>
<b>LIABILITIES</b>				
Current liabilities:				
Internal balances	593,046	(593,046)	-	-
Accounts payable and accrued liabilities	3,542,223	1,032,324	4,574,547	4,189,045
Customer deposits	76,647	-	76,647	-
Unearned revenue	154,206	493,839	648,045	-
Other	10,776	-	10,776	-
Liabilities payable from restricted assets	-	-	-	2,083,434
Current portion of long-term liabilities	6,795,696	767,905	7,563,601	4,858,996
Total current liabilities	<u>11,172,594</u>	<u>1,701,022</u>	<u>12,873,616</u>	<u>11,131,475</u>
Non-current liabilities:				
Bond premium	1,260,903	-	1,260,903	-
Due in more than one year	47,456,390	5,242,215	52,698,605	106,683,794
Total non-current liabilities	<u>48,717,293</u>	<u>5,242,215</u>	<u>53,959,508</u>	<u>106,683,794</u>
Total liabilities	<u>59,889,887</u>	<u>6,943,237</u>	<u>66,833,124</u>	<u>117,815,269</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	68,983,330	47,137,505	116,120,835	177,287,377
Restricted for:				
Capital projects	42,080	-	42,080	-
Affordable housing	869,309	-	869,309	-
Public safety	267,197	-	267,197	-
Culture and recreation	482,980	-	482,980	-
Water and sewer	-	-	-	1,322,469
Unrestricted	24,337,458	9,767,773	34,105,231	5,993,719
Total net assets	<u>\$ 94,982,354</u>	<u>\$ 56,905,278</u>	<u>\$ 151,887,632</u>	<u>\$ 184,603,565</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, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 6,528,356	\$ 1,642,521	\$ -
Environment and development	29,260,757	3,167,844	3,496,677
Public safety	18,593,745	99,946	1,700,774
Leisure activities	5,649,567	587,957	377,861
Interest expense	2,210,521	-	-
<b>Total governmental activities</b>	<b>62,242,946</b>	<b>5,498,268</b>	<b>5,575,312</b>
Business-type activities:			
Transportation	16,215,262	612,907	11,592,845
Parking Facilities	1,612,632	2,102,350	-
Housing Operations	2,203,200	453,821	1,155,687
Stormwater Management	1,391,604	1,711,271	-
<b>Total business-type activities</b>	<b>21,422,698</b>	<b>4,880,349</b>	<b>12,748,532</b>
<b>Total primary government</b>	<b>\$ 83,665,644</b>	<b>\$ 10,378,617</b>	<b>\$ 18,323,844</b>
Component unit - Orange Water and Sewer Authority	\$ 27,760,906	\$ 28,794,093	\$ -

General revenues:

Property taxes

Sales tax

Occupancy tax

Other taxes

Grants and contributions not restricted to specific programs:

Intergovernmental

Investment earnings

Miscellaneous

Transfers

**Total general revenues, proceeds and transfers**

**Change in net assets**

Net assets - beginning of year

Net assets - end of year

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



<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Capital Grants and Contributions</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ -	\$ (4,885,835)	\$ -	\$ (4,885,835)	\$ -
16,641,248	(5,954,988)	-	(5,954,988)	-
-	(16,793,025)	-	(16,793,025)	-
-	(4,683,749)	-	(4,683,749)	-
-	(2,210,521)	-	(2,210,521)	-
<u>16,641,248</u>	<u>(34,528,118)</u>	<u>-</u>	<u>(34,528,118)</u>	<u>-</u>
9,927,751	-	5,918,241	5,918,241	-
-	-	489,718	489,718	-
-	-	(593,692)	(593,692)	-
-	-	319,667	319,667	-
<u>9,927,751</u>	<u>-</u>	<u>6,133,934</u>	<u>6,133,934</u>	<u>-</u>
<u>\$ 26,568,999</u>	<u>(34,528,118)</u>	<u>6,133,934</u>	<u>(28,394,184)</u>	<u>-</u>
<u>\$ 3,316,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349,850</u>
	27,783,703	2,794,787	30,578,490	-
	9,758,126	-	9,758,126	-
	985,069	-	985,069	-
	141,157	-	141,157	-
	3,537,017	-	3,537,017	-
	1,112,630	270,583	1,383,213	584,031
	1,476,357	52,577	1,528,934	1,998,280
	<u>230,155</u>	<u>(230,155)</u>	<u>-</u>	<u>-</u>
	<u>45,024,214</u>	<u>2,887,792</u>	<u>47,912,006</u>	<u>2,582,311</u>
	10,496,096	9,021,726	19,517,822	6,932,161
	84,486,258	47,883,552	132,369,810	177,671,404
	<u>\$ 94,982,354</u>	<u>\$ 56,905,278</u>	<u>\$ 151,887,632</u>	<u>\$ 184,603,565</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).

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 Project Ordinance Fund – This fund is used to account for federal and State grant awards in aid of the Town's transportation system. The fund reached Major status in 2005-06 because of the large grant awards for construction of the new Town Operations Center for transit operations.

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

## **BUSINESS-TYPE FUNDS**

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

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

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

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

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

GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2008

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,472,813	\$ 620,370	\$ -	\$ 4,006,140	\$ 20,099,323
Receivables:					
Due from other funds	2,463,708	-	-	-	2,463,708
Property taxes, net	210,416	-	-	-	210,416
Governmental units and agencies	4,019,281	3,772,719	655,063	522,495	8,969,558
Other	369,295	-	-	30,434	399,729
Inventories	2,470	-	-	16,538	19,008
Prepaid items	355,140	-	-	-	355,140
Restricted cash and equivalents	-	5,914,362	-	211,388	6,125,750
<b>TOTAL ASSETS</b>	<u>22,893,123</u>	<u>10,307,451</u>	<u>655,063</u>	<u>4,786,995</u>	<u>38,642,632</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ 2,344,584	\$ 615,429	\$ 96,741	\$ 3,056,754
Accounts payable	1,098,991	362,357	3,228	308,515	1,773,091
Accrued liabilities	1,548,191	2,381	3,830	59,324	1,613,726
Deferred revenue	253,312	82,409	-	111,199	446,920
Unearned revenue	18,605	42,080	32,576	60,945	154,206
Deposits	76,647	-	-	-	76,647
Other	1,251	-	-	9,525	10,776
Total liabilities	<u>2,996,997</u>	<u>2,833,811</u>	<u>655,063</u>	<u>646,249</u>	<u>7,132,120</u>

Continued

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2008

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
FUND BALANCES					
Reserved:					
Reserved for encumbrances	\$ 1,524,640	\$ -	\$ -	\$ 408,663	\$ 1,933,303
Reserved by State statute	6,809,388	-	-	272,580	7,081,968
Reserved for capital improvements	353,915	6,853,270	-	322,139	7,529,324
Reserved for police	228,634	-	-	-	228,634
Reserved for Cal Horton Award	104,254	-	-	-	104,254
Reserved for inventories	2,470	-	-	16,538	19,008
Reserved for prepaid items	355,140	-	-	-	355,140
Reserved for debt service	-	-	-	647,527	647,527
Reserved for community development	-	-	-	97,566	97,566
Reserved for land in trust	-	-	-	29,970	29,970
Reserved for aid to library operations	-	-	-	378,726	378,726
Unreserved:					
Designated for subsequent year's expenditures, reported in:					
General fund	2,743,874	-	-	-	2,743,874
Special revenue funds	-	-	-	197,386	197,386
Undesignated:					
General fund	7,773,811	-	-	-	7,773,811
Special revenue funds	-	-	-	411,254	411,254
Capital project funds	-	620,370	-	1,358,397	1,978,767
Total fund balances	<u>19,896,126</u>	<u>7,473,640</u>	<u>-</u>	<u>4,140,746</u>	<u>31,510,512</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,893,123</b>	<b>\$ 10,307,451</b>	<b>\$ 655,063</b>	<b>\$ 4,786,995</b>	<b>\$ 38,642,632</b>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Fund balances - total governmental funds \$ 31,510,512

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

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

Governmental capital assets	146,302,009	
Less accumulated depreciation	<u>35,618,955</u>	110,683,054

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

Governmental bonds payable, certificates of participation and installment purchases	(46,873,106)	
Orange County loan payable	(123,146)	
Accrued vacation payable	(2,044,960)	
Bond premium	<u>(1,114,971)</u>	(50,156,183)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements		446,920
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Internal service funds are used by management to charge the costs of certain activities to individual funds

The assets and liabilities of the internal service funds that are reported within governmental activities		<u>2,498,051</u>
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Net assets of governmental activities		<u>\$ 94,982,354</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, 2008

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
<b>REVENUES</b>					
Taxes	\$ 38,505,926	\$ -	\$ -	\$ 162,129	\$ 38,668,055
Licenses and permits	1,721,627	-	-	-	1,721,627
Fines and forfeitures	40,916	-	-	-	40,916
Intergovernmental revenues					
Federal government	-	28,762	7,753,712	1,941,124	9,723,598
State government	6,467,589	791,718	1,346,880	363,483	8,969,670
Other	439,696	6,492,733	1,861	126,019	7,060,309
Charges for services	2,781,513	30,900	-	13,800	2,826,213
Interest on investments	524,678	524,265	-	63,687	1,112,630
Franchise rental fees	-	-	-	73,068	73,068
Program income	-	-	-	713,823	713,823
Cable Public Access Reserves	-	-	-	122,621	122,621
Donations	100,000	14,500	-	99,380	213,880
Revenue in lieu	267,601	73,488	-	110,751	451,840
Other	785,607	-	-	25,030	810,637
<b>Total revenues</b>	<b>51,635,153</b>	<b>7,956,366</b>	<b>9,102,453</b>	<b>3,814,915</b>	<b>72,508,887</b>
<b>EXPENDITURES</b>					
General government	6,190,609	-	-	-	6,190,609
Environment and development	14,008,289	-	9,365,768	2,405,906	25,779,963
Public safety	17,842,730	-	-	724,344	18,567,074
Leisure activities	4,718,200	-	-	179,225	4,897,425
Capital projects	-	12,761,630	-	1,250,400	14,012,030
Debt service:					
Principal	-	-	-	4,015,000	4,015,000
Interest and fiscal charges	-	-	-	2,210,521	2,210,521
<b>Total expenditures</b>	<b>42,759,828</b>	<b>12,761,630</b>	<b>9,365,768</b>	<b>10,785,396</b>	<b>75,672,622</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>8,875,325</b>	<b>(4,805,264)</b>	<b>(263,315)</b>	<b>(6,970,481)</b>	<b>(3,163,735)</b>

Continued



## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	\$ 191,558	\$ 195,982	\$ 1,015,572	\$ 7,070,231	\$ 8,473,343
Transfer to other funds	(7,062,102)	-	(752,257)	(449,829)	(8,264,188)
Total other financing sources (uses)	(6,870,544)	195,982	263,315	6,620,402	209,155
NET CHANGE IN TOTAL FUND BALANCES	2,004,781	(4,609,282)	-	(350,079)	(2,954,580)
FUND BALANCES, BEGINNING	17,891,345	12,082,922	-	4,490,825	34,465,092
FUND BALANCES, ENDING	\$ 19,896,126	\$ 7,473,640	\$ -	\$ 4,140,746	\$ 31,510,512

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, 2008**

Net change in fund balances - total governmental funds (2,954,580)

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	13,546,079	
Current year's depreciation	<u>3,102,223</u>	10,443,856

Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.

Principal payments		4,015,000
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The amortization of bond premium in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities.		65,587
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund

Change in long-term compensated absences		(162,644)
Change in long-term separation allowance		45,570

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,280,097)
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Internal service funds are used by management to charge the costs of certain activities to individual funds		<u>323,404</u>
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Change in net assets of governmental activities		<u>\$ 10,496,096</u>
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The notes to the financial statements are an integral part of this statement.

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 26,130,100	\$ 26,191,100	\$ 27,621,574	\$ 1,430,474
Local option sales taxes	9,528,000	9,528,000	9,758,126	230,126
Other taxes	1,524,000	1,524,000	1,126,226	(397,774)
Licenses and permits	1,423,325	1,510,390	1,721,627	211,237
Fines and forfeitures	33,100	33,100	40,916	7,816
Intergovernmental revenues	5,468,853	5,552,694	6,907,285	1,354,591
Charges for services	2,624,265	2,635,951	2,781,513	145,562
Interest on investments	361,868	434,021	524,678	90,657
Other	563,510	595,761	1,153,208	557,447
<b>TOTAL REVENUES</b>	<b>47,657,021</b>	<b>48,005,017</b>	<b>51,635,153</b>	<b>3,630,136</b>
<b>EXPENDITURES</b>				
General government	6,638,241	7,320,283	6,190,609	1,129,674
Environment and development	14,939,792	15,729,084	14,008,289	1,720,795
Public safety	18,474,069	18,600,081	17,842,730	757,351
Leisure activities	5,121,923	5,191,866	4,718,200	473,666
<b>Total expenditures</b>	<b>45,174,025</b>	<b>46,841,314</b>	<b>42,759,828</b>	<b>4,081,486</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,482,996</b>	<b>1,163,703</b>	<b>8,875,325</b>	<b>7,711,622</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds	156,979	156,979	191,558	34,579
Transfer to other funds	(6,954,975)	(7,257,840)	(7,062,102)	195,738
Appropriated fund balance	4,315,000	5,937,158	-	(5,937,158)
<b>Total other financing sources (uses)</b>	<b>(2,482,996)</b>	<b>(1,163,703)</b>	<b>(6,870,544)</b>	<b>(5,706,841)</b>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,004,781</b>	<b>\$ 2,004,781</b>
<b>FUND BALANCE, BEGINNING</b>			<b>17,891,345</b>	
<b>FUND BALANCE, ENDING</b>			<b>\$ 19,896,126</b>	

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 4,524,245	\$ 2,587,243	\$ 1,159,969	\$ 1,744,953
Restricted cash and cash equivalents	-	-	62,556	-
Receivables:				
Accounts receivable, net	-	13,539	65,553	59,105
Due from other funds	602,429	-	-	-
Prepaid items	100,428	5,500	7,232	3,942
Inventories	514,192	-	174,720	-
Total current assets	<u>5,741,294</u>	<u>2,606,282</u>	<u>1,470,030</u>	<u>1,808,000</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Restricted cash and cash equivalents	-	-	-	-
Deferred charges	-	257,833	-	-
Total restricted assets	<u>-</u>	<u>257,833</u>	<u>-</u>	<u>-</u>
Capital assets:				
Land and other non-depreciable assets	21,635,502	2,749,838	1,701,659	38,043
Other capital assets, net of accumulated depreciation	16,772,157	2,467,396	7,174,120	28,790
Total capital assets, net	<u>38,407,659</u>	<u>5,217,234</u>	<u>8,875,779</u>	<u>66,833</u>
Total noncurrent assets	<u>38,407,659</u>	<u>5,475,067</u>	<u>8,875,779</u>	<u>66,833</u>
<b>TOTAL ASSETS</b>	<u>44,148,953</u>	<u>8,081,349</u>	<u>10,345,809</u>	<u>1,874,833</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	413,974	11,422	27,066	35,829
Accrued liabilities	361,790	29,467	114,498	38,278
Due to other funds	-	-	9,383	-
Compensated absences	397,795	32,238	62,009	10,863
Unearned revenue	481,684	12,155	-	-
Installment purchase agreements	-	-	-	-
Certificates of participation	-	265,000	-	-
Total current liabilities	<u>1,655,243</u>	<u>350,282</u>	<u>212,956</u>	<u>84,970</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	54,217	6,317	11,613	5,068
Installment purchase agreements	-	-	-	-
Certificates of participation	-	5,165,000	-	-
Total noncurrent liabilities	<u>54,217</u>	<u>5,171,317</u>	<u>11,613</u>	<u>5,068</u>
Total liabilities	<u>1,709,460</u>	<u>5,521,599</u>	<u>224,569</u>	<u>90,038</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	38,407,659	(212,766)	8,875,779	66,833
Restricted	-	-	-	-
Unrestricted	4,031,834	2,772,516	1,245,461	1,717,962
Total net assets	<u>\$ 42,439,493</u>	<u>\$ 2,559,750</u>	<u>\$ 10,121,240</u>	<u>\$ 1,784,795</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2008	2007	2008	2007
\$ 10,016,410	\$ 8,631,096	\$ 1,347,883	\$ 409,787
62,556	65,433	-	-
138,197	104,180	1,810	35,185
602,429	404,644	-	-
117,102	-	5,900	-
688,912	666,886	155,851	162,326
<u>11,625,606</u>	<u>9,872,239</u>	<u>1,511,444</u>	<u>607,298</u>
-	-	1,937,456	3,903,939
257,833	274,833	-	-
<u>257,833</u>	<u>274,833</u>	<u>1,937,456</u>	<u>3,903,939</u>
26,125,042	24,788,238	-	-
26,442,463	20,738,621	4,415,431	4,005,414
52,567,505	45,526,859	4,415,431	4,005,414
52,825,338	45,801,692	6,352,887	7,909,353
<u>64,450,944</u>	<u>55,673,931</u>	<u>7,864,331</u>	<u>8,516,651</u>
488,291	514,869	129,063	347,886
544,033	531,191	26,343	19,625
9,383	79,005	-	960,981
502,905	426,430	23,140	20,464
493,839	458,571	-	-
-	-	1,189,207	873,968
265,000	250,000	-	-
<u>2,303,451</u>	<u>2,260,066</u>	<u>1,367,753</u>	<u>2,222,924</u>
77,215	100,313	7,426	3,487
-	-	3,991,101	4,115,593
5,165,000	5,430,000	-	-
5,242,215	5,530,313	3,998,527	4,119,080
<u>7,545,666</u>	<u>7,790,379</u>	<u>5,366,280</u>	<u>6,342,004</u>
47,137,505	39,846,859	(764,877)	(984,147)
-	-	1,937,456	3,903,939
9,767,773	8,036,693	1,325,472	(745,145)
<u>\$ 56,905,278</u>	<u>\$ 47,883,552</u>	<u>\$ 2,498,051</u>	<u>\$ 2,174,647</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 463,503	\$ 2,102,350	\$ 453,821	\$ 1,711,271
<b>OPERATING EXPENSES</b>				
Personnel	9,464,974	680,973	878,173	450,163
Drainage Maintenance	-	-	-	500,000
Depreciation and amortization	1,777,626	385,287	758,496	3,739
Fuel and tires	1,922,185	-	-	-
Indirect costs	931,934	69,858	-	46,089
Maintenance and repairs	1,380,181	-	364,989	-
Insurance	317,009	-	-	-
Marketing	75,672	-	-	-
Consulting	-	-	-	191,114
Tarheel Express	41,153	-	-	-
Uniforms and supplies	66,208	-	-	-
Other	238,320	268,667	201,542	200,499
Total operating expenses	<u>16,215,262</u>	<u>1,404,785</u>	<u>2,203,200</u>	<u>1,391,604</u>
OPERATING INCOME (LOSS)	<u>(15,751,759)</u>	<u>697,565</u>	<u>(1,749,379)</u>	<u>319,667</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Operating Assistance Grant	1,440,308	-	1,155,687	-
State Operating Assistance Grant	3,545,519	-	-	-
Operating assistance-UNC Chapel Hill	5,699,526	-	-	-
Operating assistance-Town of Carrboro	907,492	-	-	-
Vehicle Licenses	149,404	-	-	-
Ad valorem taxes	2,794,787	-	-	-
Interest on investments	122,998	66,176	35,754	45,655
Interest expense	-	(207,847)	-	-
Proceeds from sale of capital assets	12,542	-	6,735	-
Bond issuance expense	-	(17,000)	-	-
Revenue in lieu	47,800	-	-	2,500
Total nonoperating revenues (expenses), net	<u>14,720,376</u>	<u>(158,671)</u>	<u>1,198,176</u>	<u>48,155</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>				
	(1,031,383)	538,894	(551,203)	367,822
<b>CAPITAL CONTRIBUTIONS</b>				
	<u>8,116,207</u>	<u>-</u>	<u>1,811,544</u>	<u>-</u>
<b>TRANSFERS</b>				
Transfers in	-	-	176,000	3,718
Transfers out	(263,315)	(146,558)	-	-
Total transfers	<u>(263,315)</u>	<u>(146,558)</u>	<u>176,000</u>	<u>3,718</u>
CHANGE IN NET ASSETS	6,821,509	392,336	1,436,341	371,540
NET ASSETS, BEGINNING	<u>35,617,984</u>	<u>2,167,414</u>	<u>8,684,899</u>	<u>1,413,255</u>
NET ASSETS, ENDING	<u>\$ 42,439,493</u>	<u>\$ 2,559,750</u>	<u>\$ 10,121,240</u>	<u>\$ 1,784,795</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2008	2007	2008	2007
\$ 4,730,945	\$ 4,842,173	\$ 2,440,294	\$ 2,214,377
11,474,283	11,171,966	596,096	513,935
500,000	532,260	-	-
2,925,148	2,755,030	1,008,181	889,635
1,922,185	1,291,319	-	-
1,047,881	971,064	-	-
1,745,170	1,681,344	-	-
317,009	279,541	-	-
75,672	92,246	-	-
191,114	146,935	-	-
41,153	-	-	-
66,208	-	-	-
909,028	799,775	613,327	593,592
21,214,851	19,721,480	2,217,604	1,997,162
(16,483,906)	(14,879,307)	222,690	217,215
2,595,995	2,195,834	-	-
3,545,519	3,432,644	-	-
5,699,526	5,129,067	-	-
907,492	932,510	-	-
149,404	150,049	-	-
2,794,787	2,623,726	-	-
270,583	426,554	97,703	142,585
(207,847)	(217,005)	(156,864)	(130,006)
19,277	10,433	138,875	10,573
(17,000)	(17,000)	-	-
50,300	-	-	-
15,808,036	14,666,812	79,714	23,152
(675,870)	(212,495)	302,404	240,367
9,927,751	11,150,111	-	-
179,718	303,160	21,000	-
(409,873)	(2,923,133)	-	-
(230,155)	(2,619,973)	21,000	-
9,021,726	8,317,643	323,404	240,367
47,883,552	39,565,909	2,174,647	1,934,280
\$ 56,905,278	\$ 47,883,552	\$ 2,498,051	\$ 2,174,647

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 265,718	\$ 2,094,947	\$ 416,163	\$ 1,722,315
Payments to employees	(9,353,458)	(713,589)	(875,143)	(430,606)
Payments to suppliers	(5,119,065)	(346,492)	(654,206)	(930,985)
Net cash provided by (used in) operating activities	<u>(14,206,805)</u>	<u>1,034,866</u>	<u>(1,113,186)</u>	<u>360,724</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Grant funds received	4,985,827	-	1,155,687	-
Operating assistance received	6,607,018	-	-	-
Taxes and licenses received	2,944,191	-	-	-
Transfers to other funds	(263,315)	(146,558)	-	-
Transfers from other funds	-	-	176,000	3,718
Revenue in lieu received	47,800	-	-	2,500
Net cash provided by (used in) noncapital financing activities	<u>14,321,521</u>	<u>(146,558)</u>	<u>1,331,687</u>	<u>6,218</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	(250,000)	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	(207,847)	-	-
Disposal of capital assets	12,542	-	6,735	-
Capital contributions	8,116,207	-	1,811,544	-
Acquisition and construction of capital assets	(8,116,207)	-	(1,811,544)	(38,043)
Net cash provided by (used in) capital and related financing activities	<u>12,542</u>	<u>(457,847)</u>	<u>6,735</u>	<u>(38,043)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	122,998	66,176	35,754	45,655
Net cash provided by investing activities	<u>122,998</u>	<u>66,176</u>	<u>35,754</u>	<u>45,655</u>

Continued



Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2008	2007	2008	2007
\$ 4,499,143	\$ 5,511,639	\$ 2,473,669	\$ 2,179,192
(11,372,796)	(10,591,513)	(582,763)	(513,201)
<u>(7,050,748)</u>	<u>(5,955,203)</u>	<u>(1,792,556)</u>	<u>595,397</u>
(13,924,401)	(11,035,077)	98,350	2,261,388
6,141,514	5,628,478	-	-
6,607,018	6,061,577	-	-
2,944,191	2,773,775	-	-
(409,873)	(2,923,133)	-	-
179,718	303,160	21,000	-
<u>50,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
15,512,868	11,843,857	21,000	-
-	-	1,587,500	1,870,800
(250,000)	(245,000)	(1,396,753)	(989,277)
(207,847)	(217,005)	(156,864)	(130,006)
19,277	21,966	182,071	113,224
9,927,751	11,150,111	-	-
<u>(9,965,794)</u>	<u>(11,205,978)</u>	<u>(1,461,394)</u>	<u>(1,911,618)</u>
(476,613)	(495,906)	(1,245,440)	(1,046,877)
<u>270,583</u>	<u>426,553</u>	<u>97,703</u>	<u>142,585</u>
<u>270,583</u>	<u>426,553</u>	<u>97,703</u>	<u>142,585</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	250,256	496,637	260,990	374,554
CASH AND INVESTMENTS, BEGINNING	4,273,989	2,090,606	961,535	1,370,399
CASH AND INVESTMENTS, ENDING	<u>\$ 4,524,245</u>	<u>\$ 2,587,243</u>	<u>\$ 1,222,525</u>	<u>\$ 1,744,953</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (15,751,759)	\$ 697,565	\$ (1,749,379)	\$ 319,667
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,777,626	385,287	758,496	3,739
Changes in assets and liabilities:				
Receivables	(197,785)	(7,403)	(37,658)	11,044
Prepaid items	(100,428)	-	-	(3,942)
Inventories	(11,050)	(5,500)	(18,208)	-
Accounts payable	(34,925)	(2,467)	(69,467)	10,659
Accrued liabilities	64,221	(32,845)	3,801	12,933
Accrued compensated absences	47,295	229	(771)	6,624
Net cash provided by (used in) operating activities	<u>\$ (14,206,805)</u>	<u>\$ 1,034,866</u>	<u>\$ (1,113,186)</u>	<u>\$ 360,724</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2008	2007	2008	2007
1,382,437	739,427	(1,028,387)	1,357,096
8,696,529	7,957,102	4,313,726	2,956,630
<u>\$ 10,078,966</u>	<u>\$ 8,696,529</u>	<u>\$ 3,285,339</u>	<u>\$ 4,313,726</u>
\$ (16,483,906)	\$ (14,879,307)	\$ 222,690	\$ 217,215
2,925,148	2,755,030	1,008,181	889,634
(231,802)	669,466	33,375	(35,185)
(104,370)	-	(5,900)	-
(34,758)	(71,035)	6,475	(71,817)
(96,200)	(89,684)	(1,179,804)	1,260,807
48,110	492,004	13,333	734
53,377	88,449	-	-
<u>\$ (13,924,401)</u>	<u>\$ (11,035,077)</u>	<u>\$ 98,350</u>	<u>\$ 2,261,388</u>

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**TOWN OF CHAPEL HILL, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

**2. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which may rely to a significant extent on fees and charges for support. Alternatively, an enterprise fund is used in cases where the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control and accountability. Likewise, the primary government is reported separately from its legally separate component unit.

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.

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

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 recognized as revenues 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. 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.

In accordance with North Carolina General Statutes, all governmental funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund financial statements are reported on this same basis and use the current financial resources measurement focus. Under the modified accrual basis, 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. In addition, 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.

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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2008-2009 fiscal year and are not shown as receivables at June 30, 2008.

Sales taxes collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash.

Grant revenues received but unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 and charges for services. The primary expenditures are for general government, environment and development, public safety, and leisure activities.

The Capital Projects Ordinance Fund - These funds are used to account for capital asset acquisition and construction of various Town projects including several major capital projects financed by government bonds. The fund qualifies as major because of large grant awards for the construction of the new Town Operations Center for transit operations.

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

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. As permitted by accounting principles generally accepted in the United States of America, the Town of Chapel Hill and the OWASA have elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for their proprietary operations, as well as the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

Proprietary funds are used to account for operations that are financed and operated where the intent of the government's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's board has decided that periodic determination of net income is appropriate for accountability purposes. 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.

#### 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. The budgets in the supplemental section represent the budget as amended through June 30, 2008.

The Council's schedule for developing the 2007-08 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. Forums were held in January and March. A public hearing was held on the proposed budget in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 11, 2007.

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 Grant Projects Ordinance Fund		X
Transit Grant Projects Ordinance Fund		X
Public Housing Grants Project Ordinance Fund		X
Transitional Housing Fund		X
Affordable Housing Fund		X
Downtown Service District Fund	X	
Cable Public Access Reserve Fund	X	
Grants Fund	X	
Land Trust Fund		X
Housing Loan Trust Fund	X	
Library Gift Fund	X	
Debt Service Fund	X	
Capital Projects Funds		
Capital Projects 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 method 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. The proposed budget is presented to OWASA’s board for review and approval before the end of April.

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.

#### 7. Restricted Assets

Certain unspent proceeds of the revenue bonds and installment purchase agreements, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable debt agreements.

#### 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, and property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1.

#### 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.

#### 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 two years 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 – 30 years
Buildings	5 – 20 years
Equipment	3 – 20 years
Buses	12 – 20 years
Other vehicles	3 – 15 years
Fixtures and equipment	5 – 20 years
Water treatment and distribution	20 – 60 years
Sewer collection and treatment	40 – 60 years

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

#### 14. Long-term Obligations

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

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

#### 15. Compensated Absences

It is the Town's and OWASA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since neither the Town nor OWASA has a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide financial statement, but is limited to thirty days. The Town has assumed a first-in, first-out method of using accumulated compensated time. At June 30, 2008, OWASA had recorded a liability for accrued vacation of \$424,798.

#### 16. Deferred and Unearned Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenues reported in the governmental funds and deferred revenues on the government-wide statements were as follows:

	<b>Deferred</b>	<b>Unearned</b>	<b>Total</b>
Taxes receivable	\$ 210,416	\$ 8,268	\$ 218,684
Grants receivable	193,608	135,601	329,209
Other receivables	42,896	10,337	53,234
	<u>\$ 446,920</u>	<u>\$ 154,206</u>	<u>\$ 601,126</u>

#### 17. Net Assets and Fund Balances

Net assets in governmental-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors,

contributors, or laws or regulations of other governments or imposed by law through state statute. At year-end, restricted net assets consisted of restricted cash and investments held for payment of future construction contracts.

In the fund financial statements, governmental funds report reservations or restrictions of equity for amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

State statute [§159-13(b)(16)] restricts appropriation of fund balance or fund equity for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

*Reserved:*

Reserved for encumbrances - represents the amount of fund balance available for appropriation to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved by State statute - represents the amount of revenue that has been recognized on a modified accrual basis for financial statement purposes, but which is not available for appropriation in accordance with State law [§159-8(a)].

Reserved for capital improvements - represents the amount of fund balance reserved for future expenditures for capital improvements.

Reserved for debt service - represents the amount of fund balance reserved for future debt service.

Reserved for special revenue purposes - represents the amount of fund balance reserved for certain future special revenue expenditures, including reserves for the Cal Horton award, community development, interest subsidies, land in trust and aid to library operations.

Reserved for police - represents the amount of fund balance reserved for certain future police expenditures.

Reserved for inventories - represents the amount of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for prepaid items – represents the amount of fund balance reserved for costs that were prepaid since they are not available as a resource to meet expenditures of the current year.

*Unreserved:*

Designated for subsequent year's expenditures - represents the amount of fund balance appropriated that has been designated for the adopted 2008-09 budget ordinance.

Undesignated - represents the amount of fund balance which is available for future appropriations.

## 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. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental funds reconciliation of the balance sheet to the statement of net assets includes a reconciling item that relates to deferred revenue susceptible to full accrual on the entity-wide statements. In the governmental funds, property taxes and certain license charges were not accrued as revenues and were reported as deferred revenue. The adjustment reflected on the reconciliation represents these taxes and license charges outstanding at year end.

### **C. Deposits**

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

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

Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and OWASA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or OWASA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or OWASA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

At year-end, the Town's deposits had a carrying amount of \$34,002,491 and a bank balance of \$33,409,368. Of the bank balance, \$300,000 was covered by federal depository insurance, \$1,232,181 was covered by collateral held under the Dedicated Method and \$31,877,187 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$4,944 at year end.

At year-end, OWASA's deposits had a carrying amount of \$7,724,928 and a bank balance of \$8,616,357. Of the bank balance, \$365,592 was covered by federal depository insurance and \$8,250,765 in interest-bearing deposits were covered by collateral held under the pooling method. OWASA had cash on hand of \$1,155 at year end.

#### **D. 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, 2008, the Town had \$5,581,943 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's.

At year-end, OWASA's investments consist of the following:

	<b>Fair Value</b>
The North Carolina Capital Management Trust, a mutual fund	<u>\$ 7,595,584</u>

*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. OWASA does 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. At June 30, 2008, the Authority's maturities for the US Government Treasuries and commercial paper are less than six months. The North Carolina Capital Management Trust has a weighted average maturity of 0.8 years as of June 30, 2008.

*Credit risk.* The Town and OWASA have no policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's as of June 30, 2008.

*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.

**E. Receivables and Allowances for Uncollectible Amounts**

Due from other governments to the Town at June 30, 2008 consists of the following:

	<b>Governmental Funds</b>
Sales tax refunds receivable	\$ 336,123
Due from Federal Government	918,832
Due from State	3,891,178
Due from local governments	3,823,425
	<u>\$ 8,969,558</u>

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

Governmental activities, allowance for uncollectible property taxes	\$ 477,761
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**F. Capital Assets**

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2008 follows:

	<b>July 1 2007</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2008</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 25,844,405	\$ 440,092	\$ -	\$ 26,284,497
Construction in progress	33,228,300	14,118,444	2,666,724	44,680,020
Total capital assets, not being depreciated	<u>59,072,705</u>	<u>14,558,536</u>	<u>2,666,724</u>	<u>70,964,517</u>
Capital assets, being depreciated:				
Land improvements	6,374,349	500,746	-	6,875,095
Infrastructure	34,800,480	939,840	-	35,740,320
Buildings and building improvements	26,532,709	-	-	26,532,709
Equipment	4,393,237	221,838	-	4,615,075
Vehicles	10,963,629	1,453,237	1,118,332	11,298,534
Total capital assets, being depreciated	<u>83,064,404</u>	<u>3,115,661</u>	<u>1,118,332</u>	<u>85,061,733</u>
Accumulated depreciation:				
Land improvements	1,427,370	303,542	-	1,730,912
Infrastructure	13,350,826	1,429,613	-	14,780,439
Buildings and building improvements	12,690,332	1,115,861	-	13,806,193
Equipment	3,697,286	203,655	-	3,900,941
Vehicles	6,726,683	1,057,733	1,075,136	6,709,280
Total accumulated depreciation	<u>37,892,497</u>	<u>4,110,404</u>	<u>1,075,136</u>	<u>40,927,765</u>
Total capital assets, being depreciated, net	<u>45,171,907</u>	<u>(994,743)</u>	<u>43,196</u>	<u>44,133,968</u>
Governmental activities capital assets, net	<u>\$ 104,244,612</u>	<u>\$ 13,563,793</u>	<u>\$ 2,709,920</u>	<u>\$ 115,098,485</u>



	July 1, 2007	Increases	Decreases	June 30, 2008
<b>Business-type activities:</b>				
Transportation Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	18,237,204	1,298,761	-	19,535,965
Total capital assets, not being depreciated	<u>20,336,741</u>	<u>1,298,761</u>	<u>-</u>	<u>21,635,502</u>
Capital assets, being depreciated:				
Land improvements	3,721,748	-	-	3,721,748
Buildings and building improvements	1,355,640	-	-	1,355,640
Equipment	1,147,103	5,175	-	1,152,278
Vehicles	20,266,820	6,812,271	-	27,079,091
Total capital assets, being depreciated	<u>26,491,311</u>	<u>6,817,446</u>	<u>-</u>	<u>33,308,757</u>
Accumulated depreciation:				
Land improvements	2,313,295	186,042	-	2,499,337
Buildings and building improvements	1,317,775	4,658	-	1,322,433
Equipment	974,193	27,862	-	1,002,055
Vehicles	10,153,711	1,559,064	-	11,712,775
Total accumulated depreciation	<u>14,758,974</u>	<u>1,777,626</u>	<u>-</u>	<u>16,536,600</u>
Total capital assets, being depreciated, net	<u>11,732,337</u>	<u>5,039,820</u>	<u>-</u>	<u>16,772,157</u>
Transportation fund capital assets, net	<u>\$ 32,069,078</u>	<u>\$ 6,338,581</u>	<u>\$ -</u>	<u>\$ 38,407,659</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,749,838	\$ -	\$ -	\$ 2,749,838
Total capital assets, not being depreciated	<u>2,749,838</u>	<u>-</u>	<u>-</u>	<u>2,749,838</u>
Capital assets, being depreciated:				
Land improvements	382,210	-	-	382,210
Buildings and building improvements	7,284,441	-	-	7,284,441
Equipment	246,969	-	-	246,969
Vehicles	28,047	-	-	28,047
Total capital assets, being depreciated	<u>7,941,667</u>	<u>-</u>	<u>-</u>	<u>7,941,667</u>
Accumulated depreciation:				
Land improvements	313,712	8,906	-	322,618
Buildings and building improvements	4,551,338	364,139	-	4,915,477
Equipment	195,887	12,242	-	208,129
Vehicles	28,047	-	-	28,047
Total accumulated depreciation	<u>5,088,984</u>	<u>385,287</u>	<u>-</u>	<u>5,474,271</u>
Total capital assets, being depreciated, net	<u>2,852,683</u>	<u>(385,287)</u>	<u>-</u>	<u>2,467,396</u>
Parking facilities fund capital assets, net	<u>\$ 5,602,521</u>	<u>\$ (385,287)</u>	<u>\$ -</u>	<u>\$ 5,217,234</u>

	July 1, 2007	Increases	Decreases	June 30, 2008
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Total capital assets, not being depreciated	1,701,659	-	-	1,701,659
Capital assets, being depreciated:				
Land improvements	284,780	-	-	284,780
Buildings and building improvements	15,721,454	1,811,544	-	17,532,998
Equipment	355,028	-	-	355,028
Vehicles	223,864	-	13,838	210,026
Total capital assets, being depreciated	16,585,126	1,811,544	13,838	18,382,832
Accumulated depreciation:				
Land improvements	128,843	14,239	-	143,082
Buildings and building improvements	9,815,033	728,603	-	10,543,636
Equipment	352,967	1,374	-	354,341
Vehicles	167,211	14,280	13,838	167,653
Total accumulated depreciation	10,464,054	758,496	13,838	11,208,712
Total capital assets, being depreciated, net	6,121,072	1,053,048	-	7,174,120
Housing operating fund capital assets, net	\$ 7,822,731	\$ 1,053,048	\$ -	\$ 8,875,779
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 38,043	\$ -	\$ 38,043
Total capital assets, not being depreciated	-	38,043	-	38,043
Capital assets, being depreciated:				
Land improvements	37,387	-	-	37,387
Total capital assets, being depreciated	37,387	-	-	37,387
Accumulated depreciation:				
Land improvements	4,858	3,739	-	8,597
Total accumulated depreciation	4,858	3,739	-	8,597
Total capital assets, being depreciated, net	32,529	(3,739)	-	28,790
Stormwater management fund capital assets, net	\$ 32,529	\$ 34,304	\$ -	\$ 66,833
Business-type activities capital assets, net	\$ 45,526,859	\$ 7,040,646	\$ -	\$ 52,567,505

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

Governmental activities:	
General government	\$ 212,067
Environment and development	1,844,847
Public safety	289,054
Leisure activities	756,255
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,008,181
Total depreciation expense - governmental activities	<u>\$ 4,110,404</u>
Business-type activities:	
Transportation	\$ 1,777,626
Parking facilities	385,287
Stormwater Management	3,739
Housing Operating	758,496
Total depreciation expense - business-type activities	<u>\$ 2,925,148</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2008, follows:

	July 1, 2007	Increases	Decreases	June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 19,994,878	\$ -	\$ -	\$ 19,994,878
Construction in progress	75,157,744	14,899,392	22,793,149	67,263,987
Total capital assets, not being depreciated	<u>95,152,622</u>	<u>14,899,392</u>	<u>22,793,149</u>	<u>87,258,865</u>
Capital assets, being depreciated:				
Water treatment and distribution	114,969,218	18,223,992	-	133,193,210
Sewer collection and treatment	102,197,954	5,764,260	-	107,962,214
Fixtures and equipment	36,343,059	295,563	-	36,638,622
Total capital assets, being depreciated	<u>253,510,231</u>	<u>24,283,815</u>	<u>-</u>	<u>277,794,046</u>
Less accumulated depreciation for:				
Water treatment and distribution	30,926,179	2,760,014	-	33,686,193
Sewer collection and treatment	28,368,432	2,447,017	-	30,815,449
Fixtures and equipment	17,154,154	2,008,144	-	19,162,298
Total accumulated depreciation	<u>76,448,765</u>	<u>7,215,175</u>	<u>-</u>	<u>83,663,940</u>
Total capital assets, being depreciated, net	<u>177,061,466</u>	<u>17,068,640</u>	<u>-</u>	<u>194,130,106</u>
Total capital assets, net	<u>\$ 272,214,088</u>	<u>\$ 31,968,032</u>	<u>\$ 22,793,149</u>	<u>\$ 281,388,971</u>

**G. Accounts Payable and Accrued Liabilities**

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Accounts payable	\$ 1,902,154	\$ 488,291
Accrued payroll and payroll related liabilities	1,640,069	544,033
Deposits	76,647	-
Other accrued liabilities	10,776	-
	<u>\$ 3,629,646</u>	<u>\$ 1,032,324</u>

**H. Long-Term Debt**

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2008 are as follows:

## Governmental Activities:

## General obligation bonds

\$1,800,000 - 1996 serial bonds payable in annual installments of \$100,000 through 2015; interest at 4.8% to 5.55%	\$ 700,000
\$4,550,000 - 1998 serial bonds payable in annual installments of \$100,000 to \$400,000 through 2015; interest at 4.5% to 4.7%	2,600,000
\$4,700,000 - 2000 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2019; interest at 5.2% to 5.4%	3,200,000
\$3,365,000 - 2002 refunding serial bonds payable in annual installments of \$230,000 to \$815,000 through 2010; interest at 3% to 4%	1,340,000
\$4,250,000 - 2003 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2021; interest at 2% to 4%	3,575,000
\$4,000,000 - 2004 serial bonds payable in annual installments of \$200,000 through 2025; interest at 2.5% to 4.5%	3,400,000
\$4,950,000 - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	4,700,000
Total general obligation bonds	<u>\$ 19,515,000</u>

### Installment Notes Payables

Various installment purchase contracts to finance equipment additions; contracts lasting ten years; interest rates between 2.92% and 4.53%; debt secured by the equipment	\$ 3,900,000
Various installment purchase contracts to finance equipment additions; contracts between three and seven years; interest rates between 2.0% and 5.07%; debt secured by the equipment	5,180,308
Total installment notes payables	<u>\$ 9,080,308</u>

### Certificates of Participation

\$26,000,000 - Certificates of Participation due in annual installments of \$500,000 to \$1,365,000 through 2025; interest due in semi-annual installments at 3.5% to 5.25%; to pay for the construction of the Town Operations Center	<u>\$ 23,135,000</u>
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### Business-type Activities:

\$7,340,000 - Certificates of Participation due in annual installments of \$220,000 to \$445,000 through 2024; interest due in semi-annual installments at 3.7% to be paid from the Parking Facilities Fund	<u>\$ 5,430,000</u>
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In addition to the general obligation bonds, installment notes payable and certificates of participation, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences and the law enforcement officers' special separation allowance.

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 2,100,000	\$ 842,563	\$ 2,942,563
2010	2,090,000	753,013	2,843,013
2011	1,550,000	662,663	2,212,663
2012	1,550,000	593,263	2,143,263
2013	1,550,000	526,213	2,076,213
2014-2018	6,050,000	1,708,465	7,758,465
2019-2023	3,275,000	638,152	3,913,152
2024-2027	1,350,000	124,168	1,474,168
	<u>\$ 19,515,000</u>	<u>\$ 5,848,500</u>	<u>\$ 25,363,500</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 1,724,207	\$ 294,488	\$ 2,018,695
2010	1,456,055	237,565	1,693,620
2011	1,422,550	188,846	1,611,396
2012	1,324,701	140,893	1,465,594
2013	1,135,605	96,858	1,232,463
2014-2017	2,017,190	121,319	2,138,509
	<u>\$ 9,080,308</u>	<u>\$ 1,079,969</u>	<u>\$ 10,160,277</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 1,365,000	\$ 1,075,263	\$ 2,440,263
2010	1,365,000	1,027,488	2,392,488
2011	1,365,000	979,713	2,344,713
2012	1,360,000	928,525	2,288,525
2013	1,360,000	864,125	2,224,125
2014-2018	6,800,000	3,337,400	10,137,400
2019-2023	6,800,000	1,635,400	8,435,400
2024-2025	2,720,000	183,600	2,903,600
	<u>\$ 23,135,000</u>	<u>\$ 10,031,514</u>	<u>\$ 33,166,514</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 265,000	\$ 198,505	\$ 463,505
2010	270,000	188,608	458,608
2011	280,000	178,525	458,525
2012	295,000	168,073	463,073
2013	305,000	157,065	462,065
2014-2018	1,715,000	605,137	2,320,137
2019-2023	2,070,000	259,186	2,329,186
2024-2025	230,000	4,250	234,250
	<u>\$ 5,430,000</u>	<u>\$ 1,759,349</u>	<u>\$ 7,189,349</u>

Long-term debt activity for the year ended June 30, 2008 was as follows:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 21,630,000	\$ -	\$ 2,115,000	\$ 19,515,000	\$ 2,100,000
Certificates of participation	24,500,000	-	1,365,000	23,135,000	1,365,000
Installment notes payable	9,424,561	1,587,500	1,931,753	9,080,308	1,724,207
Orange County loan payable	123,146	-	-	123,146	-
Separation allowance	368,676	-	45,570	323,106	-
Compensated absences	1,906,268	1,745,994	1,576,736	2,075,526	1,606,489
Long-term debt	<u>\$ 57,952,651</u>	<u>\$ 3,333,494</u>	<u>\$ 7,034,059</u>	<u>54,252,086</u>	<u>6,795,696</u>
Business-type activities:					
Certificates of participation	\$ 5,680,000	\$ -	\$ 250,000	\$ 5,430,000	\$ 265,000
Compensated absences	526,742	586,383	533,005	580,120	502,905
Long-term debt	<u>\$ 6,206,742</u>	<u>\$ 586,383</u>	<u>\$ 783,005</u>	<u>6,010,120</u>	<u>767,905</u>

The Town issued \$6,690,000 of certificates of participation for the refinancing of the 1994 parking certificates of participation. As a result, the 1994 certificates of participation are considered to be defeased and the liability has been removed from the proprietary activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$340,000. This amount is being amortized over the life of the new certificates of participation. The refinancing was undertaken to reduce total debt payments over the next 20 years by approximately \$2 million and resulted in a net present value savings of approximately \$1.4 million.

In 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, 2008, the legal debt margin for the Town was approximately \$433 million.

For governmental activities, compensated absences are generally liquidated by the general fund.

OWASA's long-term debt as of June 30, 2008 consists of the following:

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 \$596,554 at June 30, 2008;	
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	\$ 22,881,554

Revenue and revenue refunding bonds payable, Series 2005 Revenue and Revenue Refunding Bonds, issued June 9, 2005, with coupon rates of 3.5% to 5.0%, final maturity July 2020, net of unamortized premium and deferred refunding loss of \$206,389 at June 30, 2008	18,468,611
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 \$548,239 at June 30, 2008; 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 (1.55% at June 30, 2008), final maturity July 2029	39,688,239
Revenue and revenue refunding bonds payable, Series 2003 Revenue and Revenue Refunding Bonds, issued April 9, 2003, with coupon rates of 2.5% to 5.0%, final maturity July 2016, net of unamortized premium and deferred refunding loss of \$417,944 at June 30, 2008	7,882,056
Revenue and revenue refunding bonds payable, Series 2001 Revenue and Revenue Refunding Bonds, issued September 13, 2001, with coupon rates of 3.5% to 5.0%, final maturity July 2026, net of unamortized premium and deferred refunding loss of \$53,656 at June 30, 2008	21,153,656
Revenue and revenue refunding bonds payable, Series 1999 Revenue and Revenue Refunding Bonds, issued April 15, 1999, with coupon rates of 4.0% to 5.25%, final maturity July 2009, net of unamortized premium of \$7,682 at June 30, 2008	1,387,683
	<u>111,461,799</u>
Less current maturities:	
Bonds payable, net of unamortized premiums and discounts and deferred refunding gains and losses	4,845,566
Long-term portion	<u>\$ 106,616,233</u>



Obligations under capital lease:

Capitalized equipment lease obligation due in annual installments of \$24,264 which includes interest at 14.45% through February 1, 2013	\$ 80,991
Less current maturities:	<u>13,420</u>
Long-term portion	<u>\$ 67,571</u>
<b>Total long-term debt</b>	<b>\$ 106,683,804</b>

OWASA debt maturities are as follows:

Fiscal Year	Amortization of Premiums and Deferred Refunding		Total	Interest
	Maturities	Losses		
2009	\$ 4,840,000	\$ (5,566)	\$ 4,845,566	\$ 4,818,688
2010	4,835,000	(5,568)	4,840,568	4,630,326
2011	5,230,000	(1,726)	5,231,726	4,448,113
2012	5,450,000	(1,726)	5,451,726	4,230,213
2013	5,510,000	(1,726)	5,511,726	3,993,138
2014-2018	26,145,000	(113,111)	26,258,111	16,522,912
2019-2023	23,625,000	(233,012)	23,858,012	10,607,363
2024-2028	24,525,000	(134,146)	24,659,146	5,321,076
2029-2032	10,720,000	(85,218)	10,805,218	983,825
<b>Total</b>	<u>\$ 110,880,000</u>	<u>\$ (581,799)</u>	<u>\$ 111,461,799</u>	<u>\$ 55,555,654</u>

Capital lease maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2009	\$ 13,430	\$ 10,834	\$ 24,264
2010	15,504	8,760	24,264
2011	17,898	6,366	24,264
2012	20,662	3,602	24,264
2013	13,497	658	14,155
	<u>\$ 80,991</u>	<u>\$ 30,220</u>	<u>\$ 111,211</u>

In 2006, OWASA issued \$22,285,000 of debt, at a premium of \$639,165, in Series 2006 Water and Sewer System Revenue Bonds to finance construction and improvements.

In 2005, OWASA issued \$18,675,000, net of a discount of \$257,985, in Series 2005 Revenue and Revenue Refunding Bonds to provide for a partial refunding of Series 2001 and Series 1999 Revenue

Bonds. OWASA irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the Series 2001 and Series 1999 Revenue Bonds as they become due. The par value of the defeased Series 2001 and Series 1999 Revenue Bonds at June 30, 2008 was \$18,325,000.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$1,000,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, this gain, net of accumulated amortization, is reported in the accompanying financial statements and is being amortized over the life of the new debt, using the effective interest method.

In 2004, OWASA issued \$41,265,000 of debt, at a premium of \$721,553 in Series 2004 Revenue Bonds to finance construction and improvements.

In 2003, OWASA issued \$13,875,000 of debt, at a premium of \$683,018 in Series 2003 Revenue Refunding Bonds to refund all but two installments of the remaining Series 1993 Revenue Bonds. OWASA irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the refunded bonds as they become due. As of June 30, 2005, the refunded Series were fully redeemed.

In 2001, OWASA issued \$34,540,000 of debt, at a premium of \$318,749 in Series 2001 Revenue and Revenue Refunding Bonds to finance construction and improvement projects, as well as provide for the refunding of \$3,995,000 in Series 1993 Revenue Bonds. OWASA irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the refunded bonds as they become due. As of June 30, 2005, the refunded Series were fully redeemed.

In 1999, OWASA issued \$15,120,000 of debt, at a premium of \$133,026 in Series 1999 Revenue and Revenue Refunding Bonds to assist in the funding of a five-year Capital Improvement Plan that includes improvements to OWASA's water and sewer system of approximately \$48,300,000.

In 1985, OWASA defeased Series 1977A Revenue Bonds by placing the proceeds of new bonds, Series 1985A Revenue Bonds, in an irrevocable trust to provide for all future debt service payments on the old bonds. The gain of \$1,517,000, resulting from the refunding is being amortized over the life of the new issue. In addition to the amounts held in the trust, the trustee also has a security interest in the revenues of OWASA, after provisions have been made for the payment of current expenses, as defined in the Bond Order dated March 7, 1985. The par value of the defeased Series 1977A Revenue Bonds at June 30, 2008 was \$1,230,000.

OWASA's long-term debt activity for the year ended June 30, 2008 is as follows:

	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 114,685,000	\$ -	\$ 3,805,000	\$ 110,880,000	\$ 4,840,000
Less deferred amounts:					
For issuance premiums	2,607,750	-	190,138	2,417,612	190,138
For issuance discounts and deferred refunding	(2,020,386)	-	(184,573)	(1,835,813)	(184,572)
Capital Lease	-	86,043	5,052	80,991	13,430
<b>Total bonds payable</b>	<b>\$ 115,272,364</b>	<b>\$ 86,043</b>	<b>\$ 3,815,617</b>	<b>\$ 111,542,790</b>	<b>\$ 4,858,996</b>

## I. Interfund Receivables, Payables and Transfers

*Interfund receivables and payables.* At June 30, 2008, the statements of the Town include a net of balances due to/from other funds in the amount of \$3,066,137 as detailed below. These amounts represent the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end.

Receivable Fund	Payable Fund	Amount
General fund	Capital project ordinance fund	2,344,584
General fund	Transit capital grant fund	13,000
General fund	Housing operations fund	9,383
General fund	Nonmajor governmental fund	96,741
Transit fund	Transit capital grant fund	602,429
		<u>\$ 3,066,137</u>

*Interfund transfers.* A schedule of interfund transfers for the year ended June 30, 2008 is as follows:

Transfers To	Transfers From	Amount
General fund	Parking facility fund	\$ 146,558
General fund	Nonmajor governmental fund	45,000
Capital project ordinance fund	General fund	105,982
Capital project ordinance fund	Nonmajor governmental fund	90,000
Nonmajor governmental fund	General fund	6,755,402
Internal service fund	General fund	21,000
Housing Operations fund	General fund	176,000
Stormwater management fund	General fund	3,718
Transit capital grant fund	Transit fund	263,315
		<u>\$ 7,606,975</u>

Each year, the Parking fund transfers to the General fund all revenues over expenditures generated by on-street parking, a total of \$146,558 in fiscal 2008. The Library Gift fund transfers an amount to the General fund each year for the purchase of library books and reference materials, a total of \$45,000 in fiscal 2008. The General fund transferred \$105,982 to the Capital Projects Ordinance fund for the Morgan Creek Trail project and other capital projects. There was also a one-time transfer from the Capital Improvement fund to the Capital Projects Ordinance fund of \$90,000 for the traffic signal upgrade project.

The General fund transfers to the Debt Service and Capital Improvement funds each year the amount necessary to fund debt service payments and annual capital projects, totals of \$5,536,025 and \$1,120,950 respectively in fiscal 2008. The General fund also transferred \$20,185 to the Grants fund for local matching requirements for grants and \$78,242 to the Housing Loan Trust fund to cover intended expenditures for the upcoming year.

The General fund transferred \$176,000 to the Housing Operations fund and \$21,000 to the Vehicle Maintenance fund to assist in the year's operations of these funds. The transfer of \$3,718 from the General fund to the Stormwater Management fund is a reimbursement of a fee exemption. The Transit fund makes a transfer each year for the required matches to Federal and State grants, which totaled \$263,315 in the year ended June 30, 2008.

**J. Employees' Retirement System**

**1. North Carolina Local Governmental Employees' Retirement System**

*Plan Description:* The Town of Chapel Hill and OWASA contribute to the State-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The Town and OWASA are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is respectively, 4.90% and 4.78% of annual covered payroll. For OWASA, the current rate for employees is 4.88% of annual covered payroll. The contribution requirements of the Town of Chapel Hill and OWASA are established and may be amended by the North Carolina General Assembly.

The Town's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$1,508,515, \$1,435,333, and \$1,353,447 respectively. OWASA's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$341,694, \$332,113 and \$322,323, 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, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	19
Active Plan members	<u>114</u>
<b>TOTAL</b>	<b><u>133</u></b>

A separate report was not issued for the plan.

*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.

*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	\$	242,203
b	Interest on net pension obligation		26,729
c	Adjustment to annual required contribution		(22,654)
d	Annual pension cost	\$	<u>246,278</u>
e	Employer contributions made for fiscal year ended 6/30/08		291,848
f	Increase in net pension obligation (d) – (e)	\$	<u>(45,570)</u>
g	Net pension obligation, beginning of fiscal year		368,676
h	Net pension obligation, end of fiscal year (f) + (g)	\$	<u><u>323,106</u></u>

#### Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2006	226,557	102.39%	399,867
6/30/2007	230,425	113.54%	368,676
6/30/2008	246,278	118.50%	323,106

*Funded Status and Funding Progress:* As of December 31, 2007, 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 \$2,575,455. The covered payroll (annual payroll of active employees covered by the plan) was \$5,533,957, and the ratio of the UAAL to the covered payroll was 46.5 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### 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, 2008 were \$463,029, which consisted of \$279,459 from the Town and \$183,620 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).

*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. Contributions for the year ended June 30, 2008 were \$1,905,598, which consisted of \$1,211,968 from the Town and \$693,630 from employees.

#### K. Other Post-Employment Benefits

In addition to providing pension benefits, the Town has elected to provide post-retirement health benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays all or a portion of the cost of coverage for these benefits based on years of service. Also, retirees can purchase coverage for their dependents at the Town's group rates. Currently, 152 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2008, the Town made payments for post-retirement health benefit premiums of \$706,231 and the retirees made payments of \$179,314.

#### L. Other Employment Benefits

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

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest consecutive months salary during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers.

Because the benefit payments are made by the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants.

For the fiscal year ended June 30, 2008, the Town made contributions to the State for death benefits of \$31,591. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

#### **M. Commitments and Contingencies**

The Town has commitments related to capital improvements at June 30, 2008 for the following:

##### Commitments & Contingencies

Town Operations Center	\$ 2,885,315
Bus and bus shelter purchases	1,723,946
Aquatics Center construction	543,199
Library expansion	1,216,333
Public Housing renovation	1,203,732
Southern Community Park	1,485,875
Other	2,305,120
	<u>\$ 11,363,520</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 \$7,429,000 at June 30, 2008.

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

#### **N. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, law enforcement liability and property losses; and through participation in the Interlocal Risk Management Pool of North Carolina for workers' compensation. The Town maintains insurance coverage of \$3,000,000 for comprehensive general liability, \$5,000,000 for automobile liability, \$2,000,000 for law enforcement liability and public officials' liability, and a replacement cost coverage for property loss. The Town's potential loss for liability coverage is limited to the deductible amount of \$2,500 per claim for all coverage except public officials' liability, which is limited to the deductible amount of \$5,000 per claim. The Town's potential

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The Town carries coverage totaling \$1,932,900 for the ten structures.

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

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2008 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. Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements prior to June 30, 2008 that have an effective date that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financing statements of the Town.

- GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." This statement establishes standards for the measurement, recognition, and display of OPEB expenses and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports. This statement is effective in three phases based on a government's total annual revenues in the first year ending after June 15, 1999. Implementation of GASB Statement No. 45 will be required for periods beginning after December 15, 2006 for phase 1 governments (those with total annual revenues of \$100 million or more); after December 15, 2007, for phase 2 governments (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for phase 3 governments (those with total annual revenues of less than \$10 million). Early implementation is encouraged.
- GASB Statement Number 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This statement provides guidelines on how to calculate and report the costs and obligations associated with pollution cleanup efforts. Implementation of GASB Statement No. 49 will be required for fiscal periods beginning after December 15, 2007.



- GASB Statement Number 51, “Accounting and Financial Reporting for Intangible Assets.” This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. Implementation of GASB Statement No. 51 will be required for fiscal periods beginning after June 15, 2009.
- GASB Statement Number 53, “Accounting and Financial Reporting for Derivative Instruments.” This statement is intended to improve how state and local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments – in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. Implementation of GASB Statement No. 53 will be required for fiscal periods beginning after June 15, 2009, with earlier application encouraged.

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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)
12/31/2002	-	2,066,393	2,066,393	-	4,331,188	47.7
12/31/2003	-	2,162,511	2,162,511	-	4,364,190	49.5
12/31/2004	-	2,281,109	2,281,109	-	4,604,127	49.5
12/31/2005	-	2,335,038	2,335,038	-	5,197,878	44.9
12/31/2006	-	2,596,862	2,596,862	-	5,332,846	48.7
12/31/2007	-	2,575,455	2,575,455	-	5,533,957	46.5

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

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Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	188,613	93.27
2004	197,234	92.78
2005	206,295	109.71
2006	220,451	108.88
2007	224,981	116.28
2008	245,319	106.64

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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	12/31/2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization method	23 years
Actuarial assumptions:	Market value
Investment rate of return*	7.25%
Projected salary increases*	4.5 - 12.3%
* Includes inflation at	3.75%
Cost of living adjustments	N/A

## 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.

Public Housing Grant Projects Ordinance Funds - These funds are used to account for federal grants legally restricted for specific low and moderate income housing programs and activities. The Comprehensive Grant Project Fund replaced the Comprehensive Improvement Grants to provide annualized funds for modernization activities for public housing units.

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.

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.

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.

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.

Cable Public Access Fund - This fund is used to account for the financial resources for community cable programming.

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

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

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

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

## CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds, trust funds or special revenue funds.

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

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

## DEBT SERVICE FUND

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 recurring annual transfers from the General Fund.

## OTHER GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2008	2007
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,366,349	\$ 1,992,264	\$ 647,527	\$ 4,006,140	\$ 2,680,861
Receivables:					
Governmental units and agencies	522,495	-	-	522,495	505,409
Other	30,434	-	-	30,434	30,103
Due from other funds	-	-	-	-	83,743
Inventories	16,538	-	-	16,538	16,538
Restricted cash and cash equivalents	-	211,388	-	211,388	1,985,797
<b>TOTAL ASSETS</b>	<b>\$ 1,935,816</b>	<b>\$ 2,203,652</b>	<b>\$ 647,527</b>	<b>\$ 4,786,995</b>	<b>\$ 5,302,451</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 96,741	\$ -	\$ -	\$ 96,741	\$ 4,738
Accounts payable	222,551	85,964	-	308,515	295,352
Accrued liabilities	59,290	34	-	59,324	33,894
Deferred revenue	111,199	-	-	111,199	314,829
Unearned revenue	32,490	28,455	-	60,945	157,726
Security deposit	9,525	-	-	9,525	5,087
Total liabilities	531,796	114,453	-	646,249	811,626
<b>FUND BALANCES</b>					
Reserved for encumbrances	-	408,663	-	408,663	871,343
Reserved by State statute	272,580	-	-	272,580	535,512
Reserved for capital improvements	-	322,139	-	322,139	1,985,797
Reserved for inventories	16,538	-	-	16,538	-
Reserved for debt service	-	-	647,527	647,527	641,042
Reserved for community development	97,566	-	-	97,566	50,622
Reserved for interest subsidies	-	-	-	-	129,523
Reserved for land in trust	29,970	-	-	29,970	18,888
Reserved for aid to library operations	378,726	-	-	378,726	365,520
Unreserved					
Designated for subsequent year's expenditures	197,386	-	-	197,386	220,480
Undesignated	411,254	1,358,397	-	1,769,651	(327,902)
Total fund balances	1,404,020	2,089,199	647,527	4,140,746	4,490,825
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,935,816</b>	<b>\$ 2,203,652</b>	<b>\$ 647,527</b>	<b>\$ 4,786,995</b>	<b>\$ 5,302,451</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 2008**

	<b>Public Housing Projects</b>	<b>Transitional Housing</b>	<b>Affordable Housing</b>	<b>Community Development Entitlement</b>	<b>Downtown Service District</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 419	\$ 19,440	\$ 526,900	\$ 89,359	\$ 100,793
Receivables:					
Governmental units and agencies	19,577	-	-	149,573	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 19,996</u></b>	<b><u>\$ 19,440</u></b>	<b><u>\$ 526,900</u></b>	<b><u>\$ 238,932</u></b>	<b><u>\$ 100,793</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	19,996	8,966	-	138,475	2
Accrued liabilities	-	-	-	2,891	2,400
Deferred revenue	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Security deposit	-	9,525	-	-	-
<b>Total liabilities</b>	<b><u>19,996</u></b>	<b><u>18,491</u></b>	<b><u>-</u></b>	<b><u>141,366</u></b>	<b><u>2,402</u></b>
<b>FUND BALANCES</b>					
Reserved by State statute	-	-	-	-	-
Reserved for community development	-	-	-	97,566	-
Reserved for inventories	-	-	-	-	-
Reserved for land in trust	-	-	-	-	-
Reserved for aid to library operations	-	-	-	-	-
Unreserved					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	-	949	526,900	-	98,391
<b>Total fund balances</b>	<b><u>-</u></b>	<b><u>949</u></b>	<b><u>526,900</u></b>	<b><u>97,566</u></b>	<b><u>98,391</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 19,996</u></b>	<b><u>\$ 19,440</u></b>	<b><u>\$ 526,900</u></b>	<b><u>\$ 238,932</u></b>	<b><u>\$ 100,793</u></b>



Schedule 2

	<b>Cable Public Access</b>	<b>Grants Fund</b>	<b>Land Trust Fund</b>	<b>Housing Loan Trust Fund</b>	<b>Library Gift Fund</b>	<b>Total Special Revenue Funds</b>
\$	19,031	\$ -	\$ 29,970	\$ 197,491	\$ 382,946	\$ 1,366,349
	-	353,345	-	-	-	522,495
	30,434	-	-	-	-	30,434
	-	-	-	-	-	-
	-	-	16,538	-	-	16,538
<u>\$</u>	<u>49,465</u>	<u>\$ 353,345</u>	<u>\$ 46,508</u>	<u>\$ 197,491</u>	<u>\$ 382,946</u>	<u>\$ 1,935,816</u>
\$	-	\$ 96,741	\$ -	\$ -	\$ -	\$ 96,741
	30,434	20,353	-	105	4,220	222,551
	-	53,999	-	-	-	59,290
	-	111,199	-	-	-	111,199
	-	32,490	-	-	-	32,490
	-	-	-	-	-	9,525
	<u>30,434</u>	<u>314,782</u>	<u>-</u>	<u>105</u>	<u>4,220</u>	<u>531,796</u>
	30,434	242,146	-	-	-	272,580
	-	-	-	-	-	97,566
	-	-	16,538	-	-	16,538
	-	-	29,970	-	-	29,970
	-	-	-	-	378,726	378,726
	-	-	-	197,386	-	197,386
	<u>(11,403)</u>	<u>(203,583)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,254</u>
	<u>19,031</u>	<u>38,563</u>	<u>46,508</u>	<u>197,386</u>	<u>378,726</u>	<u>1,404,020</u>
<u>\$</u>	<u>49,465</u>	<u>\$ 353,345</u>	<u>\$ 46,508</u>	<u>\$ 197,491</u>	<u>\$ 382,946</u>	<u>\$ 1,935,816</u>

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)

	Capital Projects	Capital Reserve	Comparative Totals	
			2008	2007
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,992,264	\$ -	\$ 1,992,264	\$ 864,347
Restricted cash and cash equivalents	-	211,388	211,388	1,985,797
<b>TOTAL ASSETS</b>	<b>\$ 1,992,264</b>	<b>\$ 211,388</b>	<b>\$ 2,203,652</b>	<b>\$ 2,850,144</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 85,964	\$ -	\$ 85,964	\$ 50,629
Accrued liabilities	34	-	34	-
Unearned revenue	28,455	-	28,455	88,844
Total liabilities	114,453	-	114,453	139,473
<b>FUND BALANCES</b>				
Reserved for encumbrances	408,663	-	408,663	871,343
Reserved for capital improvements	110,751	211,388	322,139	1,985,797
Unreserved				
Designated for subsequent year's expenditures	-	-	-	101,250
Undesignated	1,358,397	-	1,358,397	(247,719)
Total fund balances	1,877,811	211,388	2,089,199	2,710,671
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,992,264</b>	<b>\$ 211,388</b>	<b>\$ 2,203,652</b>	<b>\$ 2,850,144</b>

## OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2008	2007
<b>REVENUES</b>					
Taxes	162,129	-	-	162,129	144,489
Intergovernmental revenues					
Federal government	1,941,124	-	-	1,941,124	1,056,549
State government	303,094	60,389	-	363,483	1,211
Other	126,019	-	-	126,019	75,794
Interest on investments	27,736	29,466	6,485	63,687	136,650
Franchise rental fees	-	73,068	-	73,068	78,729
Program income	713,823	-	-	713,823	67,254
Cable Public Access Reserves	122,621	-	-	122,621	121,061
Charges for services	-	13,800	-	13,800	12,650
Donations	99,380	-	-	99,380	244,378
Revenue in lieu	-	110,751	-	110,751	-
Other	25,030	-	-	25,030	162,260
<b>Total revenues</b>	<b>3,520,956</b>	<b>287,474</b>	<b>6,485</b>	<b>3,814,915</b>	<b>2,101,025</b>
<b>EXPENDITURES</b>					
Environment and development	2,405,906	-	-	2,405,906	1,803,810
Public safety	724,344	-	-	724,344	332,052
Leisure activities	179,225	-	-	179,225	-
Capital projects	-	1,250,400	-	1,250,400	2,492,548
Debt service:					
Principal	-	535,000	3,480,000	4,015,000	2,865,000
Interest and fiscal charges	-	154,496	2,056,025	2,210,521	1,952,285
<b>Total expenditures</b>	<b>3,309,475</b>	<b>1,939,896</b>	<b>5,536,025</b>	<b>10,785,396</b>	<b>9,445,695</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>211,481</b>	<b>(1,652,422)</b>	<b>(5,529,540)</b>	<b>(6,970,481)</b>	<b>(7,344,670)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	-	-	-	1,750,000
Transfer from other funds	413,256	1,120,950	5,536,025	7,070,231	6,979,938
Transfer to other funds	(359,829)	(90,000)	-	(449,829)	(45,000)
<b>Total other financing sources (uses)</b>	<b>53,427</b>	<b>1,030,950</b>	<b>5,536,025</b>	<b>6,620,402</b>	<b>8,684,938</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>264,908</b>	<b>(621,472)</b>	<b>6,485</b>	<b>(350,079)</b>	<b>1,340,268</b>
<b>FUND BALANCES, BEGINNING</b>	<b>1,139,112</b>	<b>2,710,671</b>	<b>641,042</b>	<b>4,490,825</b>	<b>3,150,557</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 1,404,020</b>	<b>\$ 2,089,199</b>	<b>\$ 647,527</b>	<b>\$ 4,140,746</b>	<b>\$ 4,490,825</b>

**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, 2008**

	<b>Public Housing Projects</b>	<b>Transitional Housing</b>	<b>Affordable Housing</b>	<b>Community Development Entitlement</b>	<b>Downtown Service District</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 162,129
Intergovernmental revenues					
Federal government	225,582	-	-	1,000,304	-
State government	-	-	-	-	-
Other	-	-	-	-	-
Interest on investments	-	-	6,877	-	3,316
Program income	-	6,257	514,800	8,121	-
Cable Public Access Reserves	-	-	-	-	-
Donations	-	-	-	-	-
Other	418	317	-	-	-
Total revenues	<u>226,000</u>	<u>6,574</u>	<u>521,677</u>	<u>1,008,425</u>	<u>165,445</u>
<b>EXPENDITURES</b>					
Environment and development	226,000	6,326	344,193	1,008,425	158,135
Public safety	-	-	-	-	-
Leisure activities	-	-	-	-	-
Total expenditures	<u>226,000</u>	<u>6,326</u>	<u>344,193</u>	<u>1,008,425</u>	<u>158,135</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<u>-</u>	<u>248</u>	<u>177,484</u>	<u>-</u>	<u>7,310</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>					
	-	248	177,484	-	7,310
<b>FUND BALANCES, BEGINNING</b>					
	<u>-</u>	<u>701</u>	<u>349,416</u>	<u>97,566</u>	<u>91,081</u>
<b>FUND BALANCES, ENDING</b>					
	<u>\$ -</u>	<u>\$ 949</u>	<u>\$ 526,900</u>	<u>\$ 97,566</u>	<u>\$ 98,391</u>

Schedule 5

Cable Public Access	Grants Fund	Land Trust Fund	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,129
-	688,140	27,098	-	-	1,941,124
-	303,094	-	-	-	303,094
-	126,019	-	-	-	126,019
703	-	522	6,185	10,133	27,736
-	-	-	184,645	-	713,823
122,621	-	-	-	-	122,621
-	-	-	-	99,380	99,380
-	24,295	-	-	-	25,030
123,324	1,141,548	27,620	190,830	109,513	3,520,956
-	393,529	-	269,298	-	2,405,906
-	724,344	-	-	-	724,344
122,621	5,297	-	-	51,307	179,225
122,621	1,123,170	-	269,298	51,307	3,309,475
703	18,378	27,620	(78,468)	58,206	211,481
-	335,014	-	78,242	-	413,256
-	(314,829)	-	-	(45,000)	(359,829)
-	20,185	-	78,242	(45,000)	53,427
703	38,563	27,620	(226)	13,206	264,908
18,328	-	18,888	197,612	365,520	1,139,112
\$ 19,031	\$ 38,563	\$ 46,508	\$ 197,386	\$ 378,726	\$ 1,404,020

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Capital	Capital	Comparative Totals	
	Projects	Reserve	2008	2007
<b>REVENUES</b>				
Interest on investments	\$ 23,864	\$ 5,602	\$ 29,466	\$ 82,526
Franchise rental fees	73,068	-	73,068	78,729
Intergovernmental revenues - state	60,389	-	60,389	10,932
Charges for services	13,800	-	13,800	12,650
Donations	-	-	-	50,000
Revenue in lieu	110,751	-	110,751	-
Total revenues	<u>281,872</u>	<u>5,602</u>	<u>287,474</u>	<u>234,837</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	307,093	-	307,093	410,500
Street improvements and sidewalks	234,893	-	234,893	252,300
Parks, recreation and open space	1,385,256	-	1,385,256	1,761,110
Technology and communications	12,654	-	12,654	-
Public safety	-	-	-	68,638
Total expenditures	<u>1,939,896</u>	<u>-</u>	<u>1,939,896</u>	<u>2,492,548</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,658,024)</u>	<u>5,602</u>	<u>(1,652,422)</u>	<u>(2,257,711)</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	-	-	-	1,750,000
Transfer from General Fund	1,120,950	-	1,120,950	1,739,828
Transfer (to)/from Capital Projects Ordinance Fund	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>	<u>25,404</u>
Total other financing sources	<u>1,030,950</u>	<u>-</u>	<u>1,030,950</u>	<u>3,515,232</u>
NET CHANGE IN TOTAL FUND BALANCES	(627,074)	5,602	(621,472)	1,257,521
FUND BALANCES, BEGINNING	<u>2,504,885</u>	<u>205,786</u>	<u>2,710,671</u>	<u>1,453,150</u>
FUND BALANCES, ENDING	<u>\$ 1,877,811</u>	<u>\$ 211,388</u>	<u>\$ 2,089,199</u>	<u>\$ 2,710,671</u>

## INTERNAL SERVICE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS  
 JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2008	2007
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 901,959	\$ 118,146	\$ 327,778	\$ 1,347,883	\$ 409,787
Accounts receivable	-	-	1,810	1,810	35,185
Prepaid expense	-	5,900	-	5,900	-
Inventories	-	155,851	-	155,851	162,326
Total current assets	<u>901,959</u>	<u>279,897</u>	<u>329,588</u>	<u>1,511,444</u>	<u>607,298</u>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	1,937,456	-	-	1,937,456	3,903,939
Capital assets, net of depreciation	<u>4,398,989</u>	<u>8,816</u>	<u>7,626</u>	<u>4,415,431</u>	<u>4,005,414</u>
Total noncurrent assets	<u>6,336,445</u>	<u>8,816</u>	<u>7,626</u>	<u>6,352,887</u>	<u>7,909,353</u>
<b>TOTAL ASSETS</b>	<u>7,238,404</u>	<u>288,713</u>	<u>337,214</u>	<u>7,864,331</u>	<u>8,516,651</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	24,985	103,942	136	129,063	347,886
Accrued liabilities	-	26,343	-	26,343	19,625
Due to other funds	-	-	-	-	960,981
Compensated absences	-	23,140	-	23,140	20,464
Installment purchase agreements	<u>1,189,207</u>	<u>-</u>	<u>-</u>	<u>1,189,207</u>	<u>873,968</u>
Total current liabilities	<u>1,214,192</u>	<u>153,425</u>	<u>136</u>	<u>1,367,753</u>	<u>2,222,924</u>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	-	7,426	-	7,426	3,487
Installment purchase agreements	<u>3,991,101</u>	<u>-</u>	<u>-</u>	<u>3,991,101</u>	<u>4,115,593</u>
Total noncurrent liabilities	<u>3,991,101</u>	<u>7,426</u>	<u>-</u>	<u>3,998,527</u>	<u>4,119,080</u>
<b>TOTAL LIABILITIES</b>	<u>5,205,293</u>	<u>160,851</u>	<u>136</u>	<u>5,366,280</u>	<u>6,342,004</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	(781,319)	8,816	7,626	(764,877)	(984,147)
Restricted	1,937,456	-	-	1,937,456	3,903,939
Unrestricted	<u>876,974</u>	<u>119,046</u>	<u>329,452</u>	<u>1,325,472</u>	<u>(745,145)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,033,111</u>	<u>\$ 127,862</u>	<u>\$ 337,078</u>	<u>\$ 2,498,051</u>	<u>\$ 2,174,647</u>



## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2008	2007
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,316,101	\$ 974,109	\$ 150,084	\$ 2,440,294	\$ 2,214,377
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	1,004,591	1,411	2,179	1,008,181	889,635
Personnel	-	596,096	-	596,096	513,935
Operations	31,768	429,443	152,116	613,327	593,592
Total operating expenses	1,036,359	1,026,950	154,295	2,217,604	1,997,162
OPERATING INCOME (LOSS)	279,742	(52,841)	(4,211)	222,690	217,215
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest on investments	89,296	583	7,824	97,703	142,585
Interest expense	(155,369)	-	(1,495)	(156,864)	(130,006)
Proceeds from sale of capital assets	136,207	-	2,668	138,875	10,573
Total nonoperating revenues (expenses), net	70,134	583	8,997	79,714	23,152
CHANGE IN NET ASSETS BEFORE TRANSFERS	349,876	(52,258)	4,786	302,404	240,367
TRANSFERS	-	21,000	-	21,000	-
CHANGE IN NET ASSETS	349,876	(31,258)	4,786	323,404	240,367
NET ASSETS, BEGINNING	1,683,235	159,120	332,292	2,174,647	1,934,280
NET ASSETS, ENDING	\$ 2,033,111	\$ 127,862	\$ 337,078	\$ 2,498,051	\$ 2,174,647

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 1,316,101	\$ 1,009,294	\$ 148,274	\$ 2,473,669	\$ 2,179,192
Payments to employees	-	(582,763)	-	(582,763)	(513,201)
Payments to suppliers	(1,117,503)	(421,498)	(253,555)	(1,792,556)	595,397
Net cash provided by (used in) operating activities	198,598	5,033	(105,281)	98,350	2,261,388
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers from other funds	-	21,000	-	21,000	-
Net cash provided by noncapital financing activities	-	21,000	-	21,000	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from installment purchase agreements	1,587,500	-	-	1,587,500	1,870,800
Principal paid on installment purchase agreements	(1,330,827)	-	(65,926)	(1,396,753)	(989,277)
Interest paid on installment purchase agreements	(155,369)	-	(1,495)	(156,864)	(130,006)
Proceeds from sale of capital assets	179,403	-	2,668	182,071	113,224
Acquisition and construction of capital assets	(1,453,237)	(8,157)	-	(1,461,394)	(1,911,618)
Net cash provided by (used in) capital and related financing activities	(1,172,530)	(8,157)	(64,753)	(1,245,440)	(1,046,877)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest on investments	89,296	583	7,824	97,703	142,585
Net cash provided by investing activities	89,296	583	7,824	97,703	142,585
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(884,636)	18,459	(162,210)	(1,028,387)	1,357,096
CASH AND INVESTMENTS, BEGINNING	3,724,051	99,687	489,988	4,313,726	2,956,630
CASH AND INVESTMENTS, ENDING	\$ 2,839,415	\$ 118,146	\$ 327,778	\$ 3,285,339	\$ 4,313,726

Continued

## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**YEAR ENDED JUNE 30, 2008 (With Comparative Totals as of June 30, 2007)**

	Vehicle	Vehicle	Computer	Comparative Totals for	
	Replacement	Maintenance	Equipment	Internal Service Funds	
	Fund	Fund	Fund	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 279,742	\$ (52,841)	\$ (4,211)	\$ 222,690	\$ 217,215
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,004,591	1,411	2,179	1,008,181	889,634
Changes in assets and liabilities:					
Receivables	-	35,185	(1,810)	33,375	(35,185)
Prepaid expenses	-	(5,900)	-	(5,900)	-
Inventories	-	6,475	-	6,475	(71,817)
Accounts payable	(1,085,735)	7,370	(101,439)	(1,179,804)	1,260,807
Accrued liabilities	-	13,333	-	13,333	734
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by operating activities	<u>\$ 198,598</u>	<u>\$ 5,033</u>	<u>\$ (105,281)</u>	<u>\$ 98,350</u>	<u>\$ 2,261,388</u>

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## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Ad valorem taxes - current year	\$ 26,000,000	\$ 26,061,000	\$ 27,456,801	\$ 1,395,801
Ad valorem taxes - prior years	99,600	99,600	109,668	10,068
Interest on delinquent taxes	30,500	30,500	55,105	24,605
Local option sales taxes	9,528,000	9,528,000	9,758,126	230,126
Occupancy tax	935,000	935,000	985,069	50,069
Other taxes	589,000	589,000	141,157	(447,843)
Total taxes	37,182,100	37,243,100	38,505,926	1,262,826
Licenses and permits				
Motor vehicles	424,000	424,000	446,031	22,031
Privilege licenses	130,000	130,000	148,609	18,609
Building permits	512,025	512,025	670,372	158,347
Special use permits	200,000	200,000	160,119	(39,881)
Engineering permits	69,400	69,400	105,149	35,749
Fire inspection fees	6,000	6,000	2,090	(3,910)
Traffic impact study fees	54,900	121,965	121,166	(799)
Police permits	27,000	47,000	51,341	4,341
Fire permits	-	-	16,750	16,750
Total licenses and permits	1,423,325	1,510,390	1,721,627	211,237
Fines and forfeitures				
Garbage citations and leash law fees	5,100	5,100	11,920	6,820
Parking tickets and towing fees	28,000	28,000	28,996	996
Total fines and forfeitures	33,100	33,100	40,916	7,816

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
State of North Carolina				
Beer and wine tax	230,000	230,000	246,056	16,056
Fuel tax (Powell Bill) funds	1,460,000	1,460,000	1,649,587	189,587
Utility franchise tax	2,300,000	2,312,500	3,290,961	978,461
State fire protection	1,063,553	1,073,553	1,210,647	137,094
Durham Tech contribution	-	-	4,264	4,264
State library aid	36,600	36,600	39,471	2,871
UNC contribution	-	739	26,603	25,864
Total State of North Carolina	<u>5,090,153</u>	<u>5,113,392</u>	<u>6,467,589</u>	<u>1,354,197</u>
Other				
Orange County recreational support	83,700	83,700	83,700	-
Orange County library contribution	249,000	249,000	249,393	393
Carrboro contribution	-	2,562	2,563	1
Orange County aerial mapping contribution	-	104,040	104,040	-
Juvenile turnaround	46,000	-	-	-
Total other	<u>378,700</u>	<u>439,302</u>	<u>439,696</u>	<u>394</u>
Total intergovernmental revenues	<u>5,468,853</u>	<u>5,552,694</u>	<u>6,907,285</u>	<u>1,354,591</u>

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 148,000	\$ 148,000	\$ 152,890	\$ 4,890
Street cuts and right of way	101,000	101,000	90,179	(10,821)
Traffic signals	257,748	269,434	281,970	12,536
Cemetery staking	3,800	3,800	3,605	(195)
Fire districts	500	500	444	(56)
Solid waste collection	418,000	418,000	396,895	(21,105)
Planning review	197,200	197,200	417,282	220,082
Turnaround client fees	20,000	20,000	-	(20,000)
Recreation	385,118	385,118	390,367	5,249
Charges to other funds	1,092,899	1,092,899	1,047,881	(45,018)
	<u>2,624,265</u>	<u>2,635,951</u>	<u>2,781,513</u>	<u>145,562</u>
Total charges for services				
Interest on investments	<u>361,868</u>	<u>434,021</u>	<u>524,678</u>	<u>90,657</u>
Other				
Sales - planning and documents	14,500	14,500	13,284	(1,216)
Sales - fixed assets	-	-	78,518	78,518
Sales - miscellaneous	3,900	3,900	6,142	2,242
Cemetery lot sales	90,000	90,000	80,565	(9,435)
Court fees	32,000	32,000	68,608	36,608
Mutual aid reimbursements	323,110	333,861	367,062	33,201
Gifts and donations	100,000	100,500	100,000	(500)
Revenue in lieu	-	-	267,601	267,601
Miscellaneous	-	21,000	171,428	150,428
	<u>563,510</u>	<u>595,761</u>	<u>1,153,208</u>	<u>557,447</u>
Total other revenues				
TOTAL REVENUES	<u>47,657,021</u>	<u>48,005,017</u>	<u>51,635,153</u>	<u>3,630,136</u>

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Mayor/Council	\$ 361,480	\$ 366,730	\$ 355,295	\$ 11,435
Manager/Clerk	1,389,012	1,428,448	1,414,148	14,300
Human Resources	854,627	859,137	697,328	161,809
Finance	1,186,630	1,233,095	1,154,076	79,019
Information Technology	1,049,922	1,446,607	1,070,972	375,635
Legal	285,354	308,709	291,200	17,509
Total general government	<u>5,127,025</u>	<u>5,642,726</u>	<u>4,983,019</u>	<u>659,707</u>
Environment and development				
Planning	1,296,971	1,313,545	1,053,196	260,349
Inspections	813,929	824,213	682,812	141,401
Engineering	2,165,008	2,678,707	2,291,170	387,537
Public Works	10,663,884	10,912,619	9,981,111	931,508
Total environment and development	<u>14,939,792</u>	<u>15,729,084</u>	<u>14,008,289</u>	<u>1,720,795</u>
Public safety				
Police	11,661,021	11,716,700	11,228,271	488,429
Fire	6,813,048	6,883,381	6,614,459	268,922
Total public safety	<u>18,474,069</u>	<u>18,600,081</u>	<u>17,842,730</u>	<u>757,351</u>
Leisure activities				
Parks and recreation	2,865,091	2,933,128	2,522,134	410,994
Library	2,256,832	2,258,738	2,196,066	62,672
Total leisure activities	<u>5,121,923</u>	<u>5,191,866</u>	<u>4,718,200</u>	<u>473,666</u>
Nondepartmental				
Liability insurance	444,506	444,506	340,764	103,742
Contributions to agencies	945,000	1,137,604	839,963	297,641
General government	121,710	95,447	26,863	68,584
Total nondepartmental	<u>1,511,216</u>	<u>1,677,557</u>	<u>1,207,590</u>	<u>469,967</u>
Total expenditures	<u>45,174,025</u>	<u>46,841,314</u>	<u>42,759,828</u>	<u>4,081,486</u>

Continued



## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER EXPENDITURES	2,482,996	1,163,703	8,875,325	7,711,622
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	111,979	111,979	146,558	34,579
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Capital Projects				
Ordinance Fund	-	(105,982)	(105,982)	-
Transfer to Housing Fund	(176,000)	(176,000)	(176,000)	-
Transfer to Stormwater Fund	(5,000)	(5,000)	(3,718)	1,282
Transfer to Vehicle Maintenance Fund	-	(21,000)	(21,000)	-
Transfer to Capital Improvements Fund	(1,120,950)	(1,120,950)	(1,120,950)	-
Transfer to Debt Service Fund	(5,536,025)	(5,536,025)	(5,536,025)	-
Transfer to Grants Fund	(117,000)	(214,641)	(20,185)	194,456
Transfer to Housing Loan Trust Fund	-	(78,242)	(78,242)	-
Appropriated fund balance	4,315,000	5,937,158	-	(5,937,158)
Total other financing sources (uses)	<u>(2,482,996)</u>	<u>(1,163,703)</u>	<u>(6,870,544)</u>	<u>(5,706,841)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	2,004,781	<u>\$ 2,004,781</u>
FUND BALANCE, BEGINNING			<u>17,891,345</u>	
FUND BALANCE, ENDING			<u>\$ 19,896,126</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, 2008**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Interest on investments	\$ 1,127,226	\$ 2,354,614	\$ 524,265	\$ 2,878,879
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
Other Federal Grants	562,616	357,082	28,762	385,844
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	1,396,766	467,336	320,954	788,290
Parks and Recreation Trust Fund	500,000	-	450,000	450,000
Other State Grants	397,909	333,236	20,764	354,000
Orange County parks bonds	8,500,000	583,187	6,489,683	7,072,870
Other Grants	97,183	91,133	3,050	94,183
Charges for services	83,607	198,138	30,900	229,038
Donations	933,993	157,993	14,500	172,493
Revenue in lieu	29,580	31,580	73,488	105,068
Other	242,990	281,718	-	281,718
Total revenues	<u>14,284,735</u>	<u>5,324,747</u>	<u>7,956,366</u>	<u>13,281,113</u>
<b>EXPENDITURES</b>				
Parks, recreation, and open space capital improvements	29,060,867	14,606,812	10,374,563	24,981,375
Public safety capital improvements	2,331,043	2,327,269	-	2,327,269
Public works facility	30,585,611	28,128,246	1,641,559	29,769,805
Municipal facilities	1,721,770	143,716	59,948	203,664
Sewer capital improvements	350,385	368,195	-	368,195
Street and sidewalk improvements	7,400,361	4,298,296	685,560	4,983,856
Total expenditures	<u>71,450,037</u>	<u>49,872,534</u>	<u>12,761,630</u>	<u>62,634,164</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(57,165,302)</u>	<u>(44,547,787)</u>	<u>(4,805,264)</u>	<u>(49,353,051)</u>

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, 2008**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	22,450,000	22,392,737	-	22,392,737
Proceeds from financing	30,120,000	29,861,733	-	29,861,733
Transfer from General Fund	3,587,071	3,391,089	105,982	3,497,071
Transfer from Capital Projects Fund	472,719	472,719	90,000	562,719
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	383,450	383,450	-	383,450
Transfer to Capital Projects Fund	(25,404)	(25,404)	-	(25,404)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>57,165,302</u>	<u>56,630,709</u>	<u>195,982</u>	<u>56,826,691</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 12,082,922</u>	<u>\$ (4,609,282)</u>	<u>\$ 7,473,640</u>
FUND BALANCE, BEGINNING			<u>12,082,922</u>	
FUND BALANCE, ENDING			<u>\$ 7,473,640</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
TRANSIT GRANT PROJECTS ORDINANCE FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental revenue				
Federal government	\$ 24,373,355	\$ 10,823,775	\$ 7,753,712	\$ 18,577,487
State government	9,118,548	6,948,275	1,346,880	8,295,155
Other	215,000	180,563	1,861	182,424
	<u>33,706,903</u>	<u>17,952,613</u>	<u>9,102,453</u>	<u>27,055,066</u>
<b>EXPENDITURES</b>				
Construction costs	16,982,524	14,753,682	1,536,434	16,290,116
Equipment and improvements	18,007,534	4,958,449	7,252,256	12,210,705
Administration	2,910,382	1,096,978	577,078	1,674,056
	<u>37,900,440</u>	<u>20,809,109</u>	<u>9,365,768</u>	<u>30,174,877</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(4,193,537)</u>	<u>(2,856,496)</u>	<u>(263,315)</u>	<u>(3,119,811)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds	4,193,537	2,104,239	1,015,572	3,119,811
Transfer to other funds	-	752,257	(752,257)	-
	<u>4,193,537</u>	<u>2,856,496</u>	<u>263,315</u>	<u>3,119,811</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
PUBLIC HOUSING PROJECTS - CAPITAL FUND GRANTS  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
<b>REVENUES</b>				
Intergovernmental revenues				
Capital Grant 2004	\$ 530,628	\$ 526,791	\$ 3,837	\$ 530,628
Capital Grant 2005	601,728	297,427	33,514	330,941
Capital Grant 2006	557,355	80,540	27,510	108,050
Capital Grant 2007	582,697	-	106,293	106,293
ROSS Grant	248,240	-	54,428	54,428
Total federal government	2,520,648	904,758	225,582	1,130,340
Other revenues	15,111	-	418	418
<b>Total revenues</b>	<b>2,535,759</b>	<b>904,758</b>	<b>226,000</b>	<b>1,130,758</b>
<b>EXPENDITURES</b>				
Environment and development	2,535,759	904,758	226,000	1,130,758
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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, 2008**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Program income	35,464	27,136	6,257	33,393
Other	8,750	854	317	1,171
	<u>404,331</u>	<u>268,766</u>	<u>6,574</u>	<u>275,340</u>
EXPENDITURES				
Environment and development	<u>421,831</u>	<u>285,565</u>	<u>6,326</u>	<u>291,891</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(16,799)</u>	<u>248</u>	<u>(16,551)</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>\$ 701</u>	<u>\$ 248</u>	<u>\$ 949</u>
FUND BALANCE, BEGINNING			<u>701</u>	
FUND BALANCE, ENDING			<u>\$ 949</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, 2008**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Interest on investments	\$ 16,300	\$ 31,523	\$ 6,877	\$ 38,400
Revenue in lieu	428,500	428,500	-	428,500
Program income	514,799	-	514,800	514,800
	<u>959,599</u>	<u>460,023</u>	<u>521,677</u>	<u>981,700</u>
<b>EXPENDITURES</b>				
Environment and development	<u>1,109,599</u>	<u>260,607</u>	<u>344,193</u>	<u>604,800</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(150,000)</u>	<u>199,416</u>	<u>177,484</u>	<u>376,900</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 349,416</u>	<u>\$ 177,484</u>	<u>\$ 526,900</u>
<b>FUND BALANCE, BEGINNING</b>			<u>349,416</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 526,900</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT ENTITLEMENT GRANT PROJECTS ORDINANCE FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 4,180,984	\$ 2,892,702	\$ 1,000,304	\$ 3,893,006
Program income	<u>167,153</u>	<u>170,154</u>	<u>8,121</u>	<u>178,275</u>
Total revenues	<u>4,348,137</u>	<u>3,062,856</u>	<u>1,008,425</u>	<u>4,071,281</u>
<b>EXPENDITURES</b>				
Public improvement	1,386,987	884,875	371,402	1,256,277
Neighborhood revitalization	1,687,379	991,346	457,464	1,448,810
Homeownership opportunities	147,000	147,000	-	147,000
Administration	730,195	606,821	118,970	725,791
Community services	<u>396,576</u>	<u>335,248</u>	<u>60,589</u>	<u>395,837</u>
Total expenditures	<u>4,348,137</u>	<u>2,965,290</u>	<u>1,008,425</u>	<u>3,973,715</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 97,566</u>	-	<u>\$ 97,566</u>
FUND BALANCE, BEGINNING			<u>97,566</u>	
FUND BALANCE, ENDING			<u>\$ 97,566</u>	



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 142,000	\$ 142,000	\$ 162,129	\$ 20,129
Interest on investments	-	-	3,316	3,316
Total revenues	<u>142,000</u>	<u>142,000</u>	<u>165,445</u>	<u>23,445</u>
EXPENDITURES				
Environment and development	<u>142,000</u>	<u>169,025</u>	<u>158,135</u>	<u>10,890</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(27,025)</u>	<u>7,310</u>	<u>34,335</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>-</u>	<u>27,025</u>	<u>-</u>	<u>(27,025)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>7,310</u>	<u>\$ 7,310</u>
FUND BALANCE, BEGINNING			<u>91,081</u>	
FUND BALANCE, ENDING			<u>\$ 98,391</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CABLE PUBLIC ACCESS FUND  
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 703	\$ 703
Cable Public Access Reserves	<u>100,000</u>	<u>100,000</u>	<u>122,621</u>	<u>22,621</u>
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>123,324</u>	<u>23,324</u>
<b>EXPENDITURES</b>				
Leisure activities	<u>100,000</u>	<u>100,000</u>	<u>122,621</u>	<u>(22,621)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	703	<u>\$ 703</u>
FUND BALANCE, BEGINNING			<u>18,328</u>	
FUND BALANCE, ENDING			<u>\$ 19,031</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GRANTS FUND**  
**YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues				
Federal Government	397,440	880,954	688,140	(192,814)
State Government	-	269,991	303,094	33,103
Other	-	143,580	126,019	(17,561)
Other	-	20,000	24,295	4,295
Total revenues	<u>397,440</u>	<u>1,314,525</u>	<u>1,141,548</u>	<u>(172,977)</u>
<b>EXPENDITURES</b>				
Environment and development	-	536,807	393,529	143,278
Public safety	514,136	1,111,632	724,344	387,288
Leisure activities	-	59,988	5,297	54,691
Total expenditures	<u>514,136</u>	<u>1,708,427</u>	<u>1,123,170</u>	<u>585,257</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(116,696)</u>	<u>(393,902)</u>	<u>18,378</u>	<u>412,280</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	116,696	393,902	335,014	(58,888)
Transfers to other funds	-	-	(314,829)	(314,829)
Total other financing sources (uses)	<u>116,696</u>	<u>393,902</u>	<u>20,185</u>	<u>(373,717)</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>38,563</u>	<u>\$ 38,563</u>
<b>FUND BALANCE, BEGINNING</b>			<u>-</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 38,563</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, 2008**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 203,560	\$ 27,098	\$ 230,658
Interest on investments	-	811	522	1,333
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>453,761</u>	<u>27,620</u>	<u>481,381</u>
Total revenues				
<b>EXPENDITURES</b>				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 18,888</u>	<u>\$ 27,620</u>	<u>\$ 46,508</u>
<b>FUND BALANCE, BEGINNING</b>			<u>18,888</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 46,508</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - HOUSING LOAN TRUST FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 4,000	\$ 4,000	\$ 6,185	\$ 2,185
Program income	-	95,850	184,645	88,795
Total revenues	4,000	99,850	190,830	90,980
<b>EXPENDITURES</b>				
Environment and development	106,180	286,828	269,298	17,530
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(102,180)	(186,978)	(78,468)	108,510
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	-	-	78,242	78,242
Appropriated Fund Balance	102,180	186,978	-	(186,978)
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(226)</b>	<b>\$ (226)</b>
FUND BALANCE, BEGINNING			197,612	
FUND BALANCE, ENDING			<u>\$ 197,386</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - LIBRARY GIFT FUND  
 YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 10,133	\$ 10,133
Library donations	121,000	121,000	99,380	(21,620)
Total revenues	121,000	121,000	109,513	(11,487)
<b>EXPENDITURES</b>				
Leisure activities	-	75,518	51,307	24,211
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	121,000	45,482	58,206	12,724
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated Fund Balance	17,050	39,475	-	(39,475)
Transfer to other funds	(138,050)	(84,957)	(45,000)	39,957
Total other financing sources (uses)	(121,000)	(45,482)	(45,000)	482
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>13,206</b>	<b>\$ 13,206</b>
FUND BALANCE, BEGINNING			365,520	
FUND BALANCE, ENDING			<u>\$ 378,726</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 23,864	\$ 23,864
Franchise rental fees	60,000	60,000	73,068	13,068
Intergovernmental revenues - state	-	-	60,389	60,389
Charges for services	14,000	14,000	13,800	(200)
Revenue in lieu	-	46,368	110,751	64,383
	<u>74,000</u>	<u>120,368</u>	<u>281,872</u>	<u>161,504</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	335,000	1,147,571	307,093	840,478
Street improvements and sidewalks	135,000	516,650	234,893	281,757
Parks, recreation and open space	776,200	1,699,375	1,385,256	314,119
Technology and communications	50,000	50,000	12,654	37,346
Public safety	-	1,362	-	1,362
	<u>1,296,200</u>	<u>3,414,958</u>	<u>1,939,896</u>	<u>1,475,062</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>(1,222,200)</u>	<u>(3,294,590)</u>	<u>(1,658,024)</u>	<u>1,636,566</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	1,120,950	1,120,950	1,120,950	-
Transfer to Capital Projects				
Ordinance Fund	-	(90,000)	(90,000)	-
Appropriated fund balance	<u>101,250</u>	<u>2,263,640</u>	<u>-</u>	<u>(2,263,640)</u>
	<u>1,222,200</u>	<u>3,294,590</u>	<u>1,030,950</u>	<u>(2,263,640)</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>(627,074)</u>	<u>\$ (627,074)</u>
<b>FUND BALANCES, BEGINNING</b>			<u>2,504,885</u>	
<b>FUND BALANCES, ENDING</b>			<u>\$ 1,877,811</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL RESERVE FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 5,602	\$ 5,602
Total revenues	-	-	5,602	5,602
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	5,602	<u>\$ 5,602</u>
FUND BALANCE, BEGINNING			<u>205,786</u>	
FUND BALANCE, ENDING			<u>\$ 211,388</u>	



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 6,485	\$ 6,485
<b>EXPENDITURES</b>				
Debt service:				
Principal	3,480,000	3,480,000	3,480,000	-
Interest and fiscal charges	2,056,025	2,056,025	2,056,025	-
Total expenditures	5,536,025	5,536,025	5,536,025	-
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(5,536,025)	(5,536,025)	(5,529,540)	6,485
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	5,536,025	5,536,025	5,536,025	-
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,485</b>	<b>\$ 6,485</b>
<b>FUND BALANCES, BEGINNING</b>			<b>641,042</b>	
<b>FUND BALANCES, ENDING</b>			<b>\$ 647,527</b>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 490,938	\$ 506,950	\$ 463,503	\$ (43,447)
<b>OPERATING EXPENSES</b>				
Personnel	9,747,027	9,831,190	9,464,974	366,216
Fuel and tires	1,697,243	2,104,624	1,922,185	182,439
Indirect costs	964,244	964,244	931,934	32,310
Maintenance and repairs	1,292,029	1,586,023	1,380,181	205,842
Insurance	325,313	325,313	317,009	8,304
Marketing	119,000	85,227	75,672	9,555
Tarheel Express	122,100	114,025	41,153	72,872
Uniforms and supplies	92,020	95,268	66,208	29,060
Other	287,495	317,534	238,320	79,214
Total operating expenses	14,646,471	15,423,448	14,437,636	985,812
<b>OPERATING LOSS</b>	<b>(14,155,533)</b>	<b>(14,916,498)</b>	<b>(13,974,133)</b>	<b>942,365</b>
<b>NONOPERATING REVENUES</b>				
Federal Operating Assistance Grant	1,115,308	1,440,308	1,440,308	-
State Operating Assistance Grant	3,475,000	3,545,519	3,545,519	-
Operating assistance-UNC Chapel Hill	5,705,300	5,705,300	5,699,526	(5,774)
Operating assistance-Town of Carrboro	1,015,239	1,015,239	907,492	(107,747)
Vehicle licenses	140,000	140,000	149,404	9,404
Ad valorem taxes	2,644,700	2,742,700	2,794,787	52,087
Interest on investments	79,515	79,515	122,998	43,483
Proceeds from sale of fixed assets	17,000	17,000	12,542	(4,458)
Revenue in lieu	-	-	47,800	47,800
Appropriated fund balance	2,254,500	2,521,946	-	(2,521,946)
Total nonoperating revenues , net	16,446,562	17,207,527	14,720,376	(2,487,151)
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>2,291,029</b>	<b>2,291,029</b>	<b>746,243</b>	<b>(1,544,786)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>8,116,207</b>	<b>8,116,207</b>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers out	<u>(2,291,029)</u>	<u>(2,291,029)</u>	<u>(263,315)</u>	<u>2,027,714</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	8,599,135	<u>\$ 8,599,135</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			<u>(1,777,626)</u>	
Change in Net Assets			<u>\$ 6,821,509</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,014,810	\$ 2,014,810	\$ 2,102,350	\$ 87,540
<b>OPERATING EXPENSES</b>				
Personnel	706,122	706,122	680,973	25,149
Indirect costs	71,465	71,465	69,858	1,607
Other	673,084	686,638	268,667	417,971
Total operating expenses	1,450,671	1,464,225	1,019,498	444,727
OPERATING INCOME	564,139	550,585	1,082,852	532,267
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	20,845	20,845	66,176	45,331
Interest expense	(462,005)	(462,005)	(207,847)	254,158
Bond issuance expense	-	-	(17,000)	(17,000)
Capital outlay	(11,000)	(17,300)	-	17,300
Appropriated fund balance	-	19,854	-	(19,854)
Total nonoperating revenues (expenses), net	(452,160)	(438,606)	(158,671)	279,935
INCOME BEFORE TRANSFERS	111,979	111,979	924,181	812,202
<b>TRANSFERS</b>				
Transfers out	(111,979)	(111,979)	(146,558)	(34,579)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	777,623	\$ 777,623
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(385,287)	
Change in Net Assets			\$ 392,336	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 617,289	\$ 617,289	\$ 453,821	\$ (163,468)
OPERATING EXPENSES				
Personnel	981,583	966,379	878,173	88,206
Maintenance and repairs	434,803	437,621	364,989	72,632
Other	416,627	431,931	201,542	230,389
Total operating expenses	1,833,013	1,835,931	1,444,704	391,227
OPERATING LOSS	(1,215,724)	(1,218,642)	(990,883)	227,759
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,000,724	1,000,724	1,155,687	154,963
Interest on investments	39,000	39,000	35,754	(3,246)
Proceeds from sale of capital assets	-	-	6,735	6,735
Capital outlay	-	-	(1,811,544)	(1,811,544)
Appropriated fund balance	-	2,918	-	(2,918)
Total nonoperating revenues (expenses), net	1,039,724	1,042,642	(613,368)	(1,656,010)
LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(176,000)	(176,000)	(1,604,251)	(1,428,251)
CAPITAL CONTRIBUTIONS	-	-	1,811,544	1,811,544

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	<u>176,000</u>	<u>176,000</u>	<u>176,000</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	383,293	<u>\$ 383,293</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			1,811,544	
Depreciation and amortization			<u>(758,496)</u>	
Change in Net Assets			<u>\$ 1,436,341</u>	

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 1,159,969	\$ -	1,159,969
114	Cash - tenant security deposits	62,556	-	62,556
100	Total cash	1,222,525	-	1,222,525
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	-	2,275	2,275
126	Accounts receivable - tenants - dwelling rents	120,644	-	120,644
126.1	Allowance for doubtful accounts - dwelling rents	(22,500)	-	(22,500)
120	Total receivables, net allowances for uncollectibles	98,144	2,275	100,419
Current investments:				
143	Inventories	176,181	-	176,181
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
140	Total current investments	174,720	-	174,720
142	Prepaid expenses and other assets	7,232	-	7,232
150	<b>TOTAL CURRENT ASSETS</b>	1,502,621	2,275	1,504,896
<b>NONCURRENT ASSETS:</b>				
Fixed assets:				
161	Land	1,986,439	-	1,986,439
162	Building	17,532,998	-	17,532,998
164	Furniture, Equipment, & Machinery -Administration	565,054	-	565,054
166	Accumulated depreciation	(11,208,712)	-	(11,208,712)
160	Total fixed assets, net of accumulated depreciation	8,875,779	-	8,875,779
180	<b>TOTAL NONCURRENT ASSETS</b>	8,875,779	-	8,875,779
190	<b>TOTAL ASSETS</b>	\$ 10,378,400	\$ 2,275	\$ 10,380,675
<b>LIABILITIES AND EQUITY:</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
312	Accounts payable ≤ 90 days	\$ 27,066	\$ 2,275	29,341
321	Accrued wage/payroll taxes payable	41,417	-	41,417
322	Accrued compensated absences - current portion	62,009	-	62,009
341	Tenant security deposits	73,081	-	73,081
342	Deferred revenues	32,591	-	32,591
345	Other current liabilities	9,383	-	9,383
310	<b>TOTAL CURRENT LIABILITIES</b>	245,547	2,275	247,822
354	Accrued compensated absences - non-current portion	11,613	-	11,613
350	<b>TOTAL NON-CURRENT LIABILITIES</b>	11,613	-	11,613
300	<b>TOTAL LIABILITIES</b>	257,160	2,275	259,435
<b>EQUITY:</b>				
501	Investment in general fixed assets	8,875,779	-	8,875,779
512	Undesignated fund balance/retained earnings	1,245,461	-	1,245,461
513	<b>TOTAL EQUITY</b>	10,121,240	-	10,121,240
600	<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 10,378,400	\$ 2,275	\$ 10,380,675

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>REVENUE:</b>				
Tenant revenues:				
703	Net tenant rental revenue	\$ 453,060	\$ -	\$ 453,060
705	Total tenant revenue	453,060	-	453,060
Other revenues:				
706	HUD PHA grants	1,155,687	225,582	1,381,269
711	Investment income - unrestricted	35,754	-	35,754
713	Proceeds from Disposition of Assets Held for Sale	6,735	-	6,735
715	Other revenue	761	418	1,179
	Total other revenue	1,198,937	226,000	1,424,937
700	<b>TOTAL REVENUE</b>	1,651,997	226,000	1,877,997
<b>EXPENSES:</b>				
<b>OPERATING EXPENSES:</b>				
Administrative:				
911	Administrative salaries	228,117	-	228,117
912	Auditing fees	2,000	-	2,000
914	Compensated Absences	(771)	-	(771)
915	Employee benefit contributions - administrative	84,638	-	84,638
916	Other operating - administrative	126,231	-	126,231
Tenant services:				
924	Tenant services-other	810	-	810
Utilities:				
931	Water	98,945	-	98,945
932	Electricity	26,509	-	26,509
933	Gas	6,685	-	6,685
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	431,980	-	431,980
942	Ordinary maintenance and operations - materials	55,041	-	55,041
943	Ordinary maintenance and operations - contract costs	143,551	-	143,551
945	Employee benefit contributions - ordinary maintenance	134,209	-	134,209
General expenses:				
961	Insurance premiums	71,944	-	71,944
962	Other general expenses	556	-	556
964	Bad debt - tenant rents	-	-	-
969	<b>TOTAL OPERATING EXPENSES</b>	1,410,445	-	1,410,445
970	<b>EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES</b>	241,552	226,000	467,552
<b>NON-OPERATING EXPENSES:</b>				
971	Extraordinary maintenance	34,258	226,000	260,258
974	Depreciation Expense	758,497	-	758,497
900	<b>TOTAL EXPENSES</b>	2,203,200	226,000	2,429,200
1003	Operating transfers from/to Primary Government	176,000	-	176,000
1000	<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	(375,203)	-	(375,203)
1101	Capital Outlays Enterprise Fund	1,811,544	-	1,811,544
1103	<b>BEGINNING EQUITY</b>	8,684,899	-	8,684,899
	<b>ENDING EQUITY</b>	\$ 10,121,240	\$ -	\$ 10,121,240



**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,659,600	\$ 1,659,600	\$ 1,711,271	\$ 51,671
<b>OPERATING EXPENSES</b>				
Personnel	559,443	499,397	450,163	49,234
Drainage Maintenance	500,000	500,000	500,000	-
Indirect costs	57,190	57,190	46,089	11,101
Consulting	256,500	495,604	191,114	304,490
Other	278,764	364,609	200,499	164,110
Total operating expenses	1,651,897	1,916,800	1,387,865	528,935
OPERATING INCOME (LOSS)	7,703	(257,200)	323,406	580,606
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	-	-	45,655	45,655
Capital outlay	(100,000)	(193,413)	-	193,413
Revenue in lieu	-	-	2,500	2,500
Appropriated fund balance	88,297	446,613	-	(446,613)
Total nonoperating revenues (expenses), net	(11,703)	253,200	48,155	(205,045)
INCOME (LOSS) BEFORE TRANSFERS	(4,000)	(4,000)	371,561	375,561
<b>TRANSFERS</b>				
Transfers in	4,000	4,000	3,718	(282)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	375,279	\$ 375,279
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(3,739)	
Change in Net Assets			\$ 371,540	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,418,301	\$ 1,418,301	\$ 1,316,101	\$ (102,200)
OPERATING EXPENSES				
Operations	226,338	226,338	31,768	194,570
OPERATING INCOME	1,191,963	1,191,963	1,284,333	92,370
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	-	-	89,296	89,296
Capital outlay	(1,582,300)	(2,931,614)	(1,453,237)	1,478,377
Debt service	(1,211,963)	(1,486,297)	(1,486,196)	101
Proceeds from sale of capital assets	20,000	20,000	136,207	116,207
Issuance of installment notes	1,582,300	1,582,300	1,587,500	5,200
Appropriated fund balance	-	1,623,648	-	(1,623,648)
Total nonoperating revenues (expenses), net	(1,191,963)	(1,191,963)	(1,126,430)	65,533
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	\$ 157,903	\$ 157,903
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,004,591)	
Capital outlay			1,453,237	
Debt service principal			1,330,827	
Proceeds from installment notes			(1,587,500)	
Change in net assets			\$ 349,876	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,029,349	\$ 1,029,349	\$ 974,109	\$ (55,240)
OPERATING EXPENSES				
Personnel	595,881	590,381	596,096	(5,715)
Operations	478,155	496,829	429,443	67,386
Total operating expenses	1,074,036	1,087,210	1,025,539	61,671
OPERATING LOSS	(44,687)	(57,861)	(51,430)	6,431
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	6,000	6,000	583	(5,417)
Capital outlay	-	(9,400)	(8,157)	1,243
Appropriated fund balance	38,687	40,261	-	(40,261)
Total nonoperating revenues (expenses)	44,687	36,861	(7,574)	(44,435)
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE TRANSFERS	-	(21,000)	(59,004)	(38,004)
TRANSFERS	-	21,000	21,000	-
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	\$ (38,004)	\$ (38,004)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			8,157	
Depreciation and amortization			(1,411)	
Change in net assets			\$ (31,258)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 150,000	\$ 150,000	\$ 150,084	\$ 84
OPERATING EXPENSES				
Operations	150,000	179,877	152,116	27,761
OPERATING LOSS	-	(29,877)	(2,032)	27,845
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	-	-	7,824	7,824
Interest expense	(2,005)	(2,005)	-	2,005
Debt service	(65,000)	(65,000)	(67,421)	(2,421)
Proceeds from sale of capital assets	-	-	2,668	2,668
Appropriated fund balance	67,005	96,882	-	(96,882)
Total nonoperating revenues (expenses), net	-	29,877	(56,929)	(86,806)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(58,961)	\$ (58,961)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(2,179)	
Debt service principal			65,926	
Change in net assets			\$ 4,786	

## OTHER SUPPLEMENTAL SCHEDULES

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**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2008**

**Schedule 34**

Fiscal Year	Uncollected Balance 7/1/2007	Additions	Collections And Credits	Uncollected Balance 6/30/2008
2007-2008	\$ -	\$ 30,575,318	\$ 30,402,847	\$ 172,471
2006-2007	136,954	-	108,108	28,846
2005-2006	29,256	-	8,511	20,745
2004-prior	369,764	-	3,919	365,845
	<u>\$ 535,974</u>	<u>\$ 30,575,318</u>	<u>\$ 30,523,385</u>	<u>587,907</u>
				Add: vehicle fees 100,271
				Less: allowance for uncollectible accounts 477,761
				<u>\$ 210,417</u>
				Reconciliation with revenues:
				Ad Valorem taxes \$ 30,523,385
				Reconciling items
				Interest collected 55,793
				<u>\$ 30,579,178</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30,2008**

**Schedule 35**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property	\$ 5,659,756,385	0.522	\$ 30,412,485	\$ 28,798,583	\$ 1,613,902
Downtown Service District	\$ 180,237,600	0.09	162,832	162,832	-
Total property valuation	<u>\$ 5,839,993,985</u>		<u>30,575,317</u>	<u>28,961,415</u>	<u>1,613,902</u>
Uncollected taxes at June 30, 2008			<u>172,470</u>	<u>86,338</u>	<u>86,132</u>
Current year's taxes collected			<u>30,402,847</u>	<u>28,875,077</u>	<u>1,527,770</u>
Current levy collection percentage			<u>99.44%</u>	<u>99.70%</u>	<u>94.66%</u>



## STATISTICAL SECTION

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

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

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

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

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

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

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

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

**Table I**

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$ 48,939,875	\$ 53,543,531	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330
Restricted	10,888,825	5,574,623	1,296,492	1,217,399	1,661,566
Unrestricted	<u>5,949,472</u>	<u>15,075,313</u>	<u>19,554,289</u>	<u>23,279,530</u>	<u>24,337,458</u>
Total governmental activities net assets	<u>\$ 65,778,172</u>	<u>\$ 74,193,467</u>	<u>\$ 76,657,648</u>	<u>\$ 84,486,258</u>	<u>\$ 94,982,354</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 14,367,385	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,412,337
Unrestricted	<u>3,235,818</u>	<u>5,267,602</u>	<u>8,403,465</u>	<u>8,036,693</u>	<u>9,492,941</u>
Total business-type activities net assets	<u>\$ 17,603,203</u>	<u>\$ 19,155,638</u>	<u>\$ 39,565,909</u>	<u>\$ 47,883,552</u>	<u>\$ 56,905,278</u>
Primary government					
Invested in capital assets, net of related debt	\$ 63,307,260	\$ 67,431,567	\$ 86,969,311	\$ 99,836,188	\$ 116,395,667
Restricted	10,888,825	5,574,623	1,296,492	1,217,399	1,661,566
Unrestricted	<u>9,185,290</u>	<u>20,342,915</u>	<u>27,957,754</u>	<u>31,316,223</u>	<u>33,830,399</u>
Total primary government net assets	<u>\$ 83,381,375</u>	<u>\$ 93,349,105</u>	<u>\$ 116,223,557</u>	<u>\$ 132,369,810</u>	<u>\$ 151,887,632</u>
Component unit					
Invested in capital assets, net of related debt	\$ 110,634,726	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377
Restricted	34,817,584	19,114,903	1,925,585	9,405,757	1,322,469
Unrestricted	<u>15,468,674</u>	<u>7,373,853</u>	<u>6,611,972</u>	<u>6,453,532</u>	<u>5,993,719</u>
Total component unit net assets	<u>\$ 160,920,984</u>	<u>\$ 163,930,077</u>	<u>\$ 169,351,312</u>	<u>\$ 177,671,404</u>	<u>\$ 184,603,565</u>

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

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

**Table 2**

	<b>Fiscal Year</b>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities:</b>					
Expenses					
General government	\$ 3,641,608	\$ 4,113,954	\$ 4,327,313	\$ 5,780,346	\$ 6,528,356
Environment and development	16,793,496	16,536,622	21,954,945	25,719,997	29,260,757
Public safety	15,280,202	15,501,769	17,003,191	17,844,886	18,593,745
Leisure activities	4,617,299	4,694,967	4,947,783	4,977,126	5,649,567
Nondepartmental	962,489	1,324,805	1,475,398	-	-
Interest	880,610	884,070	887,200	2,008,005	2,210,521
Total expenses	<u>42,175,704</u>	<u>43,056,187</u>	<u>50,595,830</u>	<u>56,330,360</u>	<u>62,242,946</u>
Program Revenues					
Charges for services:					
General government	\$ 600,756	\$ 607,385	\$ 564,548	\$ 2,538,610	\$ 1,642,521
Environment and development	3,142,701	3,607,851	3,225,722	1,147,843	3,167,844
Public safety	56,958	70,046	65,244	76,287	99,946
Leisure activities	533,131	603,228	655,976	642,478	587,957
Operating grants and contributions:					
Environment and development	4,665,902	5,973,016	13,255,667	3,347,410	3,496,677
Public safety	1,135,163	1,183,619	2,190,476	1,318,224	1,700,774
Leisure activities	381,688	747,380	333,346	291,129	377,861
Capital grants and contributions:					
Environment and development	-	-	913,613	9,154,416	16,641,248
Total program revenues	<u>10,516,299</u>	<u>12,792,525</u>	<u>21,204,592</u>	<u>18,516,397</u>	<u>27,714,828</u>
Total governmental activities net program expense	\$ (31,659,405)	\$ (30,263,662)	\$ (29,391,238)	\$ (37,813,963)	\$ (34,528,118)
General revenues and other changes in net assets					
Property taxes	\$ 21,713,205	\$ 23,081,521	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703
Sales tax	7,654,959	8,456,040	9,138,060	9,594,569	9,758,126
Occupancy tax	572,932	675,295	783,509	991,081	985,069
Other taxes	486,122	539,733	582,638	368,073	141,157
Grants and contributions not restricted	2,683,589	2,478,791	2,559,529	2,935,113	3,537,017
Investment earnings	192,595	442,649	1,689,568	1,670,377	1,112,630
Miscellaneous	1,115,491	1,147,972	1,695,701	1,361,301	1,476,357
Proceeds from financing	1,395,000	-	-	-	-
Transfers	347,376	991,713	586,538	2,619,973	230,155
Total general revenues and other changes in net assets	<u>36,161,269</u>	<u>37,813,714</u>	<u>42,302,790</u>	<u>45,642,573</u>	<u>45,024,214</u>
Total governmental activities changes in net assets	<u>\$ 4,501,864</u>	<u>\$ 7,550,052</u>	<u>\$ 12,911,552</u>	<u>\$ 7,828,610</u>	<u>\$ 10,496,096</u>

Continued

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

**Table 2**

	<b>Fiscal Year</b>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Business-type activities:</b>					
Expenses					
Transportation	\$ 11,469,835	\$ 12,457,941	\$ 13,280,263	\$ 14,881,026	\$ 16,215,262
Parking	1,749,648	1,614,306	1,590,227	1,585,035	1,612,632
Housing	-	-	1,119,963	1,209,350	2,203,200
Stormwater	-	1,065,666	2,257,924	2,263,074	1,391,604
Total expenses	<u>13,219,483</u>	<u>15,137,913</u>	<u>18,248,377</u>	<u>19,938,485</u>	<u>21,422,698</u>
Program Revenues					
Charges for services:					
Transportation	\$ 571,436	\$ 549,673	\$ 608,420	\$ 694,445	\$ 612,907
Parking	1,847,904	1,933,579	2,080,546	2,138,673	2,102,350
Housing	-	-	1,651,616	417,725	453,821
Stormwater	-	1,708,292	379,582	1,741,379	1,711,271
Operating grants and contributions:					
Transportation	8,482,726	9,551,828	9,859,005	10,609,529	11,592,845
Housing	-	-	1,040,017	1,080,526	1,155,687
Capital grants and contributions:					
Transportation	599,175	1,217,846	10,320,462	11,150,111	9,927,751
Total program revenues	<u>11,501,241</u>	<u>14,961,218</u>	<u>25,939,648</u>	<u>27,832,388</u>	<u>27,556,632</u>
Total business-type activities net program expense	<u>\$ (1,718,242)</u>	<u>\$ (176,695)</u>	<u>\$ 7,691,271</u>	<u>\$ 7,893,903</u>	<u>\$ 6,133,934</u>
General revenues and other changes in net assets					
Property taxes	\$ 2,190,261	\$ 2,623,385	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787
Investment earnings	25,071	97,458	281,467	426,554	270,583
Miscellaneous	92,830	-	28,786	(6,567)	52,577
Transfers	(347,376)	(991,713)	(586,538)	(2,619,973)	(230,155)
Total general revenues and other changes in net assets	<u>1,960,786</u>	<u>1,729,130</u>	<u>2,271,629</u>	<u>423,740</u>	<u>2,887,792</u>
Total business-type activities changes in net assets	<u>\$ 242,544</u>	<u>\$ 1,552,435</u>	<u>\$ 9,962,900</u>	<u>\$ 8,317,643</u>	<u>\$ 9,021,726</u>
<b>Total primary government changes in net assets</b>	<u><u>\$ 4,744,408</u></u>	<u><u>\$ 9,102,487</u></u>	<u><u>\$ 22,874,452</u></u>	<u><u>\$ 16,146,253</u></u>	<u><u>\$ 19,517,822</u></u>

Continued

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

**Table 2**

	<b>Fiscal Year</b>				
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
<b>Component unit activities:</b>					
Expenses	\$ 21,175,958	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906
Program Revenues					
Charges for services	21,156,492	21,891,667	24,431,382	25,411,160	28,794,093
Capital grants and contributions	<u>4,359,410</u>	<u>2,566,129</u>	<u>3,459,835</u>	<u>7,425,786</u>	<u>3,316,663</u>
Total component unit revenues	<u>25,515,902</u>	<u>24,457,796</u>	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>
Total component unit net (expense)/revenue	<u>\$ 4,339,944</u>	<u>\$ 315,079</u>	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>
General revenues and other changes in net assets					
Investment earnings	211,708	821,194	742,010	-	584,031
Miscellaneous	<u>2,761,143</u>	<u>1,872,820</u>	<u>2,308,651</u>	<u>-</u>	<u>1,998,280</u>
Total general revenues and other changes in net assets	<u>2,972,851</u>	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>
Total component unit activities changes in net assets	<u>\$ 7,312,795</u>	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</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 Ten Fiscal Years**  
(modified accrual basis of accounting)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>General Fund</b>				
Reserved for:				
State statute	\$ 1,933,711	\$ 1,943,331	\$ 2,107,920	\$ 2,576,308
Encumbrances	640,653	1,475,156	791,201	626,161
Inventories	100,209	99,005	96,498	10,246
Capital improvements	79,808	207,835	265,549	298,986
Other	289,000	100,000	100,000	100,000
Total reserved	<u>3,043,381</u>	<u>3,825,327</u>	<u>3,361,168</u>	<u>3,611,701</u>
Unreserved:				
Designated for subsequent year's expenditures	850,000	800,000	800,000	1,070,000
Undesignated	<u>3,896,025</u>	<u>4,064,382</u>	<u>4,251,792</u>	<u>4,315,631</u>
<b>Total General Fund</b>	<u>\$ 7,789,406</u>	<u>\$ 8,689,709</u>	<u>\$ 8,412,960</u>	<u>\$ 8,997,332</u>
 <b>All Other Governmental Funds</b>				
Reserved for:				
Capital improvements	\$ 1,231,634	\$ 5,509,332	\$ 2,924,364	\$ 1,481,350
State Statute	-	163,590	145,070	203,732
Encumbrances	73,931	38,164	29,448	48,556
Inventories	93,210	116,045	153,790	137,643
Interest subsidies	-	-	-	-
Other	-	-	-	-
Debt service	189,375	190,643	199,967	1,095
Total reserved	<u>1,588,150</u>	<u>6,017,774</u>	<u>3,452,639</u>	<u>1,872,376</u>
Unreserved:				
Designated for subsequent year's expenditures	1,064,000	721,000	405,500	180,000
Undesignated	<u>1,102,141</u>	<u>1,109,829</u>	<u>1,452,665</u>	<u>1,485,869</u>
<b>Total all other governmental funds</b>	<u>\$ 3,754,291</u>	<u>\$ 7,848,603</u>	<u>\$ 5,310,804</u>	<u>\$ 3,538,245</u>

Table 3

<b>Fiscal Year</b>									
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>				
\$ 2,959,369	\$ 3,251,528	\$ 3,250,131	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388				
1,045,892	858,238	1,209,013	1,297,402	1,272,671	1,524,640				
10,246	2,209	1,472	1,928	2,728	2,470				
440,775	427,112	531,342	381,258	231,128	353,915				
-	-	-	-	-	355,140				
100,000	100,000	204,917	212,620	323,997	332,888				
<u>4,556,282</u>	<u>4,639,087</u>	<u>5,196,875</u>	<u>5,805,272</u>	<u>7,060,538</u>	<u>9,378,441</u>				
1,290,306	1,499,000	1,514,993	1,879,000	4,315,000	2,743,874				
<u>5,643,519</u>	<u>5,634,550</u>	<u>8,263,350</u>	<u>9,911,161</u>	<u>6,515,807</u>	<u>7,773,811</u>				
<u>\$ 11,490,107</u>	<u>\$ 11,772,637</u>	<u>\$ 14,975,218</u>	<u>\$ 17,595,433</u>	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>				
\$ 5,105,823	\$ 2,075,756	\$ 30,287,235	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409				
28,528	1,112,771	814,273	2,069,240	2,058,864	272,580				
154,482	50,203	656,035	1,111,691	871,343	408,663				
146,058	170,443	157,223	-	-	16,538				
-	387,872	293,649	68,108	129,523	-				
-	253,860	236,952	394,878	435,030	1,153,789				
171,968	176,247	455,089	635,619	641,042	-				
<u>5,606,859</u>	<u>4,227,152</u>	<u>32,900,456</u>	<u>22,052,312</u>	<u>18,204,521</u>	<u>9,026,979</u>				
236,698	131,818	124,076	102,178	220,480	197,386				
<u>1,544,810</u>	<u>460,466</u>	<u>284,452</u>	<u>(1,427,843)</u>	<u>(1,851,254)</u>	<u>2,390,021</u>				
<u>\$ 7,388,367</u>	<u>\$ 4,819,436</u>	<u>\$ 33,308,984</u>	<u>\$ 20,726,647</u>	<u>\$ 16,573,747</u>	<u>\$ 11,614,386</u>				

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Revenues</b>				
Taxes	\$ 20,551,608	\$ 22,032,598	\$ 23,328,989	\$ 26,193,450
Intergovernmental	11,096,492	8,774,761	8,388,946	14,962,684
Charges for services	1,700,313	1,533,782	1,557,250	1,706,496
Licenses and permits	1,385,970	1,349,780	1,363,742	1,432,195
Interest	598,116	763,966	948,173	439,531
Other	1,224,219	1,045,776	1,487,705	1,250,786
Total Revenues	<u>36,556,718</u>	<u>35,500,663</u>	<u>37,074,805</u>	<u>45,985,142</u>
<b>Expenditures</b>				
General government	2,490,722	2,748,984	2,916,683	3,085,314
Environment and development	16,639,102	14,305,633	15,548,497	22,793,279
Public safety	10,005,232	10,786,477	12,009,852	13,394,643
Leisure activities	3,068,911	3,236,540	3,507,813	3,751,287
Nondepartmental	996,914	711,717	985,953	1,075,234
Capital projects	3,315,929	1,888,495	4,013,559	3,413,124
Debt Service:				
Principal	1,245,829	1,355,000	1,520,000	1,490,000
Interest	918,817	834,780	1,012,046	932,731
Total Expenditures	<u>38,681,456</u>	<u>35,867,626</u>	<u>41,514,403</u>	<u>49,935,612</u>
Excess of revenues over (under) expenditures	<u>(2,124,738)</u>	<u>(366,963)</u>	<u>(4,439,598)</u>	<u>(3,950,470)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,719,170	3,988,442	4,086,550	3,738,558
Transfers out	(3,645,577)	(3,515,864)	(3,581,000)	(2,447,875)
Proceeds from bonds	-	4,700,000	-	-
Proceeds from installment notes	180,000	189,000	1,119,500	1,471,600
Total other financing sources (uses)	<u>253,593</u>	<u>5,361,578</u>	<u>1,625,050</u>	<u>2,762,283</u>
Net change in fund balances	<u>\$ (1,871,145)</u>	<u>\$ 4,994,615</u>	<u>\$ (2,814,548)</u>	<u>\$ (1,188,187)</u>
Debt service as a percentage of non capital expenditures	6.12%	6.44%	6.75%	5.21%



Table 4

Fiscal Year									
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>				
\$ 29,251,469	\$ 30,430,218	\$ 32,782,589	\$ 35,771,454	\$ 37,055,809	\$ 38,668,055				
10,823,095	8,866,342	10,382,806	19,252,631	17,046,292	25,753,577				
1,984,469	2,075,005	2,822,100	2,617,171	2,503,992	2,826,213				
1,519,274	1,551,622	1,512,168	1,652,945	1,590,653	1,721,627				
187,590	192,595	442,649	1,689,568	1,670,377	1,112,630				
1,621,026	1,822,410	1,702,214	1,937,075	1,654,137	2,426,785				
<u>45,386,923</u>	<u>44,938,192</u>	<u>49,644,526</u>	<u>62,920,844</u>	<u>61,521,260</u>	<u>72,508,887</u>				
3,297,515	3,517,651	3,763,510	4,079,736	5,634,423	6,190,609				
17,969,896	17,360,844	18,965,051	25,761,076	27,478,666	25,779,963				
13,859,523	14,976,104	15,342,852	16,900,363	17,666,485	18,567,074				
3,822,370	4,081,517	4,118,714	4,282,116	4,224,267	4,897,425				
823,903	962,489	1,324,805	1,475,398	-	-				
3,454,036	5,516,543	4,672,085	16,676,455	15,964,112	14,012,030				
1,560,000	1,670,000	1,675,000	2,180,000	3,090,000	4,015,000				
782,855	880,610	884,070	887,200	2,008,005	2,210,521				
<u>45,570,098</u>	<u>48,965,758</u>	<u>50,746,087</u>	<u>72,242,344</u>	<u>76,065,958</u>	<u>75,672,622</u>				
<u>(183,175)</u>	<u>(4,027,566)</u>	<u>(1,101,561)</u>	<u>(9,321,500)</u>	<u>(14,544,698)</u>	<u>(3,163,735)</u>				
5,005,819	4,246,839	4,981,814	7,450,039	17,737	8,473,343				
(3,902,127)	(3,900,675)	(3,990,101)	(6,863,501)	10,878,467	(8,264,188)				
4,250,000	-	30,000,000	-	4,967,737	-				
-	1,395,000	966,733	-	3,100,000	-				
<u>5,353,692</u>	<u>1,741,164</u>	<u>31,958,446</u>	<u>586,538</u>	<u>18,963,941</u>	<u>209,155</u>				
<u>\$ 5,170,517</u>	<u>\$ (2,286,402)</u>	<u>\$ 30,856,885</u>	<u>\$ (8,734,962)</u>	<u>\$ 4,419,243</u>	<u>\$ (2,954,580)</u>				
5.56%	5.87%	5.55%	5.52%	8.48%	10.10%				

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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>
1999	14,436,728	5,550,277	555,150	9,453	20,551,608
2000	15,440,496	5,676,497	619,908	295,697	22,032,598
2001	16,342,318	5,879,696	636,233	470,742	23,328,989
2002	18,690,329	6,424,167	589,942	489,012	26,193,450
2003	21,276,968	6,974,456	563,486	436,559	29,251,469
2004	21,713,205	7,654,959	572,932	489,122	30,430,218
2005	23,081,521	8,456,040	675,295	569,733	32,782,589
2006	25,267,247	9,138,060	783,509	582,638	35,771,454
2007	26,102,086	9,594,569	991,081	368,073	37,055,809
2008	27,783,706	9,758,126	985,069	141,157	38,668,058

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**

<b>Fiscal Year</b>		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Combined Real Property</b>	<b>Personal Property</b>
1999		*	*	2,457,855,819	365,092,224
2000		*	*	2,501,345,508	381,872,039
2001		*	*	2,589,768,417	388,087,936
2002	(2)	*	*	3,556,294,528	403,959,196
2003		*	*	3,688,289,625	415,023,471
2004		*	*	3,791,842,402	455,906,761
2005		*	*	3,918,233,860	482,128,300
2006	(1)	3,956,681,069	783,355,893	4,740,036,962	498,524,879
2007		3,640,445,489	1,249,997,134	4,890,442,623	520,961,320
2008		3,825,506,198	1,313,540,280	5,139,046,478	460,567,284

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

Notes:

- (1) Revaluation year.
- (2) Increase due to revaluation and the addition of \$200 million from a major annexation.
- (3) Public service companies valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (4) Per \$100 of value. Includes taxes for general fund and transportation fund.
- (5) 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.
- (6) Source is the Property Tax Division of the North Carolina Department of Revenue.

Table 6

<b>Public Service Companies</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value</b>
(3)		(4)	(5)	(6)
60,078,208	2,883,026,251	0.538	3,258,393,141	88.48%
60,948,410	2,944,165,957	0.563	3,546,333,362	83.02%
61,660,255	3,039,516,608	0.578	3,145,846,210	96.62%
60,873,428	4,021,127,152	0.504	4,459,990,186	90.16%
63,868,306	4,167,181,402	0.553	4,725,767,070	88.18%
57,587,809	4,305,336,972	0.553	5,139,473,525	83.77%
57,774,008	4,458,136,168	0.575	4,664,298,146	95.58%
60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
61,554,945	5,472,958,888	0.522	6,098,683,851	83.14%
60,142,623	5,659,756,385	0.522	6,306,837,960	79.33%

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

Year Taxes Payable	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
				*
Chapel Hill within Orange County:				
<u>Town Direct Rates:</u>				
General Fund	0.498	0.524	0.535	0.461
Transportation	0.040	0.039	0.043	0.043
Downtown Service District	0.062	0.062	0.062	0.062
<u>Overlapping Rates:</u>				
Orange County	0.902	0.919	0.929	0.805
Chapel Hill - Carrboro School District	0.192	0.220	0.220	0.202
Total	1.694	1.764	1.789	1.573
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.498	0.524	0.535	0.461
Transportation	0.040	0.039	0.043	0.043
<u>Overlapping Rates:</u>				
Durham County	0.940	0.930	0.930	0.729
Total	1.478	1.493	1.508	1.233

\* Revaluation year

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.

**Table 7**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
			*		
0.510	0.502	0.516	0.474	0.474	0.474
0.043	0.051	0.059	0.048	0.048	0.048
0.062	0.062	0.062	0.053	0.090	0.090
0.845	0.880	0.880	0.843	0.903	0.950
0.192	0.200	0.200	0.183	0.189	0.204
1.652	1.695	1.717	1.601	1.704	1.766
0.510	0.502	0.516	0.474	0.474	0.474
0.043	0.051	0.059	0.048	0.048	0.048
0.753	0.763	0.790	0.809	0.809	0.834
1.306	1.316	1.365	1.331	1.331	1.356

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

<b>Taxpayer</b>	<b>Type of Business</b>
US GT LLC (University Square)	Shopping Center
Blue Cross and Blue Shield of North Carolina	Health Insurance
VAC Limited Partnership	Apartment Rental
Corium LLC	Health Insurance
University Mall Properties	Shopping Center
Europa Center LLP	Office Building
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
BellSouth Telephone Company (formerly Southern Bell Telephone & Telegraph Co.)	Public Utility
Inland Southeast Meadowmont LLC	Development
Southeast Region IV LLC	Apartment Rental
Frank H. Kenan	Property Owner
Chapel Hill Residential Retirement Center, Inc	Retirement Facility
Wachovia Bank of North Carolina, Trustee	Shopping Center
Franklin Misty Woods Associates	Apartment Rental
Tri City Investments, Inc	
SLT Realty LTD Ptns	
Totals	
Total Levy	



Table 8

Fiscal Year 2008			Fiscal Year 1999		
Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
\$ 49,895,519	1	1.12%			
38,026,306	2	0.85%			
36,086,750	3	0.81%	60,998,179	1	2.66%
32,584,496	4	0.73%			
32,118,292	5	0.72%	29,162,294	3	1.27%
27,106,501	6	0.61%			
24,984,118	7	0.56%	24,027,672	6	1.96%
22,962,071	8	0.52%			
22,577,932	9	0.51%	27,474,952	5	1.20%
22,094,641	10	0.50%			
			44,945,947	2	
			28,227,361	4	1.23%
			19,813,266	7	0.86%
			14,629,581	8	0.64%
			13,999,373	9	0.61%
			12,860,708	10	0.56%
\$ <u>308,436,626</u>		<u>6.92%</u>	\$ <u>276,139,333</u>		<u>9.81%</u>
\$ <u>5,472,958,888</u>			\$ <u>16,598,207</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	
1999	15,534,727	15,413,292	99.22%	*	*	*	*
2000	16,598,182	16,453,207	99.13%	*	*	*	*
2001	17,594,559	17,466,542	99.27%	*	*	*	*
2002	20,417,001	20,271,201	99.29%	*	*	*	*
2003	23,067,472	22,919,205	99.36%	*	*	*	*
2004	23,775,375	23,653,530	99.49%	111,079	23,764,609	99.95%	*
2005	25,615,621	25,480,324	99.47%	110,800	25,591,124	99.90%	(1) 365,806
2006	27,718,753	27,578,410	99.49%	116,297	27,694,707	99.91%	20,745
2007	28,558,565	28,409,166	99.48%	108,108	28,517,274	99.86%	28,845
2008	30,412,485	30,240,782	99.44%	-	30,240,782	99.44%	171,704

\* 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 2004 and prior.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Installment Loans</b>	<b>Public Housing Bonds/ Notes</b>
1999	16,880,000	-	407,551	-
2000	20,225,000	-	447,898	-
2001	18,705,000	-	1,356,431	-
2002	17,380,000	-	6,460,553	-
2003	20,070,000	-	5,442,139	-
2004	18,400,000	-	6,526,774	-
2005	20,725,000	26,000,000	5,069,836	-
2006	18,545,000	25,500,000	5,668,038	-
2007	21,630,000	24,500,000	9,424,561	-
2008	19,515,000	23,135,000	9,080,308	-

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

<b>Business-type Activities</b>	<b>Total Primary Government</b>	<b>Per Capita Personal Income</b>	<b>Per Capita</b> (1)	<b>Percentage of Personal Income</b> (1)
6,890,000	24,177,551	24,133	550	3.38%
6,765,000	27,437,898	24,133	596	3.66%
6,635,000	26,696,431	24,133	546	3.35%
6,495,000	30,335,553	32,126	600	2.49%
6,350,000	31,862,139	33,125	625	2.59%
6,380,000	31,306,774	33,211	608	2.52%
6,160,000	57,954,836	37,121	1,125	4.66%
5,925,000	55,638,038	38,629	1,062	4.40%
5,680,000	61,234,561	41,435	1,146	2.77%
5,430,000	57,160,308	41,435	1,041	2.51%

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

<b>Fiscal Year</b>	<u><b>1999</b></u>	<u><b>2000</b></u>	<u><b>2001</b></u>	<u><b>2002</b></u>
General bonded debt outstanding				
General obligation bonds	\$ 16,880,000	\$ 20,225,000	\$ 18,705,000	\$ 17,380,000
Percentage of estimated actual property value (1)	0.59%	0.69%	0.62%	0.43%
Per capita (2)	\$ 384	\$ 439	\$ 382	\$ 541

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

<b>Fiscal Year</b>					
<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
\$ 20,070,000	\$ 18,400,000	\$ 20,725,000	\$ 18,545,000	\$ 21,630,000	\$ 19,515,000
0.48%	0.43%	0.46%	0.38%	40.00%	#DIV/0!
\$ 606	\$ 554	\$ 558	\$ 480	\$ 522	\$ 471

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**Town of Chapel Hill  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2008**

**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	\$ 130,290,000	42.27%	\$ 55,075,906
Durham County	270,784,680	1.73%	4,685,394
Total direct debt			<u>32,650,000</u>
Total direct and overlapping debt			<u><u>\$ 92,411,300</u></u>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Total assessed valuation	\$ 2,883,026,251	\$ 2,944,165,957	\$ 3,039,516,608	4,021,127,152
Debt limit - 8% of total assessed valuation	230,642,100	235,533,277	243,161,329	321,690,172
Amount of debt applicable to debt limit:				
General obligation bonds	16,880,000	20,225,000	18,705,000	17,380,000
Bonds authorized but unissued	8,950,000	4,250,000	4,250,000	4,250,000
Total net debt applicable to debt limit	<u>25,830,000</u>	<u>24,475,000</u>	<u>22,955,000</u>	<u>21,630,000</u>
Legal debt margin	<u>\$ 204,812,100</u>	<u>\$ 211,058,277</u>	<u>\$ 220,206,329</u>	<u>\$ 300,060,172</u>
Total net debt applicable to the limit as a percentage of debt limit	11.20%	10.39%	9.44%	6.72%

Note: NC Statute GS159-55 limits the Town's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the Town's debt outstanding applicable to the limit, and represents the Town's legal borrowing authority.

**Table 13**

<b>Fiscal Year</b>					
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$ 4,167,181,402	\$ 4,305,436,972	\$ 4,458,136,168	\$ 5,299,402,374	\$ 5,472,958,888	\$ 5,659,756,385
333,374,512	344,434,958	356,650,893	423,952,190	437,836,711	452,780,511
20,070,000	18,400,000	20,725,000	18,545,000	21,630,000	19,515,000
-	-	-	-	-	-
<u>20,070,000</u>	<u>18,400,000</u>	<u>20,725,000</u>	<u>18,545,000</u>	<u>21,630,000</u>	<u>19,515,000</u>
\$ <u>313,304,512</u>	\$ <u>326,034,958</u>	\$ <u>335,925,893</u>	\$ <u>405,407,190</u>	\$ <u>416,206,711</u>	\$ <u>433,265,511</u>
6.02%	5.34%	5.81%	4.37%	4.94%	4.31%

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

**Table 14**

<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
1999	43,977	3,169,976	16,288	24.8	14.72	32,375	1.3%
2000	46,019	3,327,229	24,133	24.8	14.72	33,520	1.2%
2001	48,902	3,583,041	24,133	24.8	14.72	34,462	1.8%
2002	50,542	3,800,280	32,126	24.2	15.82	34,628	3.1%
2003	51,005	3,877,363	33,125	24.2	15.82	37,012	4.0%
2004	51,485	3,910,401	33,211	24.2	15.82	37,587	3.0%
2005	51,519	4,384,443	37,121	24.2	15.82	37,308	4.0%
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.9%
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9%
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	4.0%

\* Data not yet available

Notes:

- (1) Town of Chapel Hill Department of Planning.
- (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 Public Schools and University of North Carolina at Chapel Hill.
- (5) N. C. Employment Security Commission, May 2008 data.

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

**Table 15**

<u>Taxpayer</u>	<u>Fiscal Year 2008</u>			<u>Fiscal Year 1999</u>		
	(1) <u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
University of North Carolina at Chapel Hill	16,600	1	40.9%			
University of North Carolina Hospitals	6,819	2	25.4%	Not Available		Not Available
Blue Cross Blue Shield of NC	1,373	4	5.1%	Available		Available
Carrboro-Chapel Hill Schools	2,618	3	9.7%			
Town of Chapel Hill	<u>699</u>	5	<u>2.6%</u>			
Total	<u>21,819</u>		<u>83.7%</u>			
Total Town Employment	(2) <u>26,878</u>					

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

(2) Source: Orange County Economic Development Commission, most recent available data.

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

<b>Function/Program</b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>
General government:				
Finance				
Purchase orders issued	2,236	2,090	2,070	2,190
Human Resources				
Recruitment for positions	129	143	105	84
Public Works				
Streets resurfaced (miles)	6.35	6	6.75	6.65
Refuse collected (tons)	22,697	23,572	22,141	21,729
Economic and development:				
Planning/Inspections				
Building permits issued	945	863	841	927
Public safety:				
Police				
Calls for service**	28,144	28,585	26,062	26,278
Traffic citations	5,116	3,917	3,391	3,615
Fire				
Emergency responses	1,843	2,187	2,254	2,423
Property losses	\$ 466,067	\$ 2,904,195	\$ 1,298,680	\$ 1,118,170
Inspections	1,295	1,187	1,482	1,289
Leisure activities:				
Parks and Recreation				
Program/league registrants	38,447	36,646	36,383	32,530
Transit				
Service miles	1,312,282	1,225,800	1,283,075	1,644,754
Parking				
Citations issued	28,316	22,214	24,483	22,263
Stormwater				
Stormwater impact statement reviews				

\* The Stormwater Fund was established in the 2004-2005 fiscal year.

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

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

Table 16

		Fiscal Year					
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
		2,092	2,082	2,080	2,135	2,386	2,222
		96	86	56	74	79	84
		4.71	6	6.05	5.45	5.71	
		23,992	23,836	22,231	21,838	21,541	19,821
		1,035	903	961	716	755	610
		24,778	29,385	30,754	32,871	42,428	42,691
		3,448	3,902	4,682	4,885	6,716	6,439
		2,088	1,787	1,811	2,208	3,349	2,274
\$		1,058,199	\$ 2,244,200	\$ 232,025	\$ 594,200	\$ 3,312,435	\$ 2,875,631
		1,308	1,327	1,312	1,218	730	714
		37,101	37,312	38,343	38,141	35,250	35,758
		1,883,680	2,180,107	2,140,275	2,479,470	2,396,497	2,247,250
		19,737	19,595	19,781	20,043	18,731	18,864
				*	258	193	223

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

<b>Function/Program</b>	<b><u>1999</u></b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>
General Government:				
Public Works				
Streets (miles)	137.3	137.8	142.5	151.9
Street lights	2,395	2,412	2,482	2,691
Public Safety:				
Police				
Patrol units	4	4	4	4
Investigative units	1	1	1	2
Other specialty units	3	3	3	3
Fire				
Number of stations	4	4	4	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	16	16	17	17
Library				
Volumes in circulation	118,350	125,598	135,671	140,550
Transportation				
Number of buses	66	61	54	74
Number of vans	9	8	9	13
Parking				
Number of spaces available	889	889	889	889
Housing				
Number of units occupied	299	327	324	325



Table 17

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
151.9	153.1	156.6	162.3	164.2	165.1
2,905	3,006	3,008	3,005	3,075	3,161
4	4	4	4	4	5
2	2	2	2	2	2
3	3	3	3	3	2
5	5	5	5	5	5
17	17	17	17	17	15
148,706	150,408	158,673	168,109	170,586	178,687
83	83	86	86	89	98
14	14	11	18	18	15
889	889	889	887	890	880
317	310	325	329	320	316

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

**Table 18**

Function/Program	Full-Time Equivalent Employees									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Mayor and council	0.53	0.53	0.53	0.53	0.53	1	1	1	1	1
Town manager's office	7	6	6	6	6	6	6	6	7.53	6.8
Town clerk's office	4.27	4.27	4.27	4.27	4.27	4.53	4.53	4.53	4.53	7.53
Human resources	7.23	7.23	7.23	7.23	6.73	8	8	8	8	8
Finance	13.19	14.19	11.19	11.39	10.86	11.33	11.33	12.33	12.33	12.53
Information technology (A)	-	-	3	4	5	5	6	7	7	7
Legal	1	2	2	2	2	2	2	2	2	2
Public Works	126	128	120.5	122.5	116.5	128	129	129	124	114
Environment and development:										
Planning	15.03	15.03	15.53	15.53	15.53	15.53	16.19	16.19	18.56	19.56
Inspections	7	8	9	9	10.53	10.53	10.53	9	9	9
Engineering	12	13	13	13	13	13	12	11.8	19	20
Housing (B)	19	19	18	18	18	18	18	-	-	-
Public Safety:										
Police	127.35	127.35	127.4	135.2	135.4	134	138	138	144	144
Fire	55.15	61.15	73.15	73.15	73.13	74	74.53	74.53	86.53	86.53
Leisure activities:										
Parks & Recreation	18.59	20.52	20.42	20.95	20.95	21.38	21.91	22.79	23.26	22.59
Library	25.53	25.53	25.53	28	28	28	28	28	29	29
Transit	123.01	123.37	125.37	140.59	143.59	159.09	161.59	164.59	167.79	171.46
Parking	12	12	12	12	13.3	12.8	12.8	12.8	12.8	12.8
Housing (B)	-	-	-	-	-	-	-	18	17	18
Stormwater (C)	-	-	-	-	-	-	4	5.2	5.2	7
Landfill (D)	28	28	-	-	-	-	-	-	-	-
<b>Total</b>	<b>601.88</b>	<b>615.17</b>	<b>594.12</b>	<b>623.34</b>	<b>623.32</b>	<b>652.19</b>	<b>665.41</b>	<b>670.76</b>	<b>698.53</b>	<b>698.8</b>

Source: Annual Adopted Budget

Notes:

- (A) Information Technology was separated from Finance in the 2000-2001 fiscal year.
- (B) Housing was reported as a Special Revenue Fund through fiscal year 2004-2005 and then changed for reporting purposes to a Propriety Fund.
- (C) The Stormwater Management Fund was established in 2004-2005.
- (D) The Landfill Fund was eliminated in the 1999-2000 fiscal year and the operation was turned over to Orange County.

## SINGLE AUDIT SECTION

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## Martin Starnes & Associates, CPAs, P.A.

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

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

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

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2008 not presented here, which collectively comprise the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 24, 2008. We did not audit the financial statements of the Orange Water and Sewer Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange Water and Sewer Authority is based solely on the reports of the other auditors. 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. The financial statements of the Orange Water and Sewer Authority were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Chapel Hill, North Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chapel Hill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Chapel Hill's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

### **Compliance and Other Matters**

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

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

*Martin Starnes + Associates CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 24, 2008



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## Martin Starnes & Associates, CPAs, P.A.

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

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

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

#### **Compliance**

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Chapel Hill's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### **Internal Control Over Compliance**

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect

on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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, as defined above.

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

*Martin Starnes + Associates CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 24, 2008





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## Martin Starnes & Associates, CPAs, P.A.

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

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

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

#### **Compliance**

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. The Town of Chapel Hill's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major State programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill, North Carolina's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

#### **Internal Control over Compliance**

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to State programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and

material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Town's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Town's internal control 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, as defined above.

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

*Martin Starnes & Associates CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 24, 2008

# TOWN OF CHAPEL HILL, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2008

### 1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of the Town of Chapel Hill, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the Town of Chapel Hill, North Carolina's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2008 are:

<u>Program Name</u>	<u>CFDA#</u>
Community Develop. Block Grant	14.218
Public and Indian Housing	14.850
Urban Mass Transportation Grants	20.507
Safer Grant	97.083

# TOWN OF CHAPEL HILL, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2008

- I. Major State programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2008 are:

**Program Name**

---

Powell Bill/DOT  
State maintenance Assistance for Urban and Small Urban  
Parks and Rec Trust Grant

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

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

None

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

None

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

None

**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**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, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<b>FEDERAL ASSISTANCE</b>						
U.S. Department of Transportation						
<i>Direct Programs:</i>						
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-90-X382-00	4,900,000	42,467	5,308	5,308
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-95-X001-00	2,088,430	1,181,656	147,707	147,707
Federal Transit Administration - Federal Transit Capital Formula Grant	20.500	NC-26-0004	1,247,914	33,330	13,331	-
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-03-0058-00	1,647,861	93,190	11,649	(98,558)
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-03-0072-00	4,800,000	3,156,101	383,998	262,432
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0001-00	894,758	742,500	71,566	80,512
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-90-X391-02	1,400,627	938,620	117,468	117,189
Federal Transit Administration - Federal Transit Capital Grant	20.57	NC-95-X025-00	2,766,265	-	-	-

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	20.507	NC-03-0066-00	1,707,555	49,026	8,845	7,701
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-03-0066-01	814,080	651,264	81,408	81,408
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-03-0066-02	30,528	20,339	2,542	2,542
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0005	356,920	-	-	-
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0013	376,200	-	-	-
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-95-X002	48,775	25,500	-	6,375
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X345-00	690,719	200	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X381-00	682,730	60,330	20,694	(5,611)
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X415-00	844,140	560,478	29,941	110,179
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-00	633,142	-	-	-



**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	08-08-103	113,500	78,636	9,830	9,829
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	09-08-103	138,866	-	-	-
<i>Passed-Through City of Durham, North Carolina:</i>						
Federal Transit Administration - Highway Act of 1973 Section 104(f) Planning Grant	20.505	PL 104(F)	132,640	102,108	-	25,527
Total U.S. Department of Transportation				7,735,745	904,287	752,540
Federal Highway Administration						
<i>Passed-Through NC Department of Transportation:</i>						
NC DOT MPO Grant - Drainage Grate - MLK	20.205	U-4726 M	10,000	-	-	-
NC DOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	135,000	-	-	-
NC DOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	15,000	775	-	194
Total Federal Highway Administration				775	-	194
U.S. Department of Housing and Urban Development						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement Program income	14.218	MC-37-0016	4,180,984	1,000,303	-	-
Economic Development Initiative Grant	14.246	B-00-SPNC-0023	231,250	-	-	8,122

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures	
				Federal	State
Public and Indian Housing Program - Operating	14.850	NC-046-001-06D	1,155,687	-	-
Rental and other income			-	-	496,310
Public and Indian Housing - Capital Fund	14.872	NC-19P04650104 NC-19P04650105 NC-19P04650106 NC-19P04650107 ROSS Grant	530,628 601,728 557,355 582,697 248,240	3,837 33,514 27,510 106,293 54,428	- - - - -
<i>Passed-Through Orange County, North Carolina:</i>					
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	-	-
Total U.S. Department of Housing and Urban Development				-	15,114
U.S. Department of Justice				2,381,572	519,546
<i>Direct Programs:</i>					
Local Law Enforcement Block Grant	16.592	05-DJ-BX-0431	40,577	1,254	-
Total U.S. Department of Justice				1,254	-

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Department of Homeland Security						
<i>Direct Programs:</i>						
SAFER Grant	97.083	EMW-2006-FF-04309	2,671,525	477,699	-	75,861
Total Department of Homeland Security				477,699	-	75,861
Federal Mediation and Conciliation Services Youth Initiative Partnership	34.001		24,000	684	-	-
U.S. Department of Energy						
Passed-Through NC Department of Administration - State Energy Sustainable Communities Grant - Gap Funding			38,000	-	-	-
Total U.S. Department of Energy				-	-	-
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>10,597,729</b>	<b>904,287</b>	<b>1,348,141</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<b>STATE ASSISTANCE</b>						
North Carolina Department of Transportation:						
Powell Bill			1,649,587	-	1,649,587	-
Interest			5,675	-	-	5,675
State Maintenance Assistance for Urban and Small Urban Areas			3,545,519	-	3,545,519	-
NC DOT Direct Allocation Grant - Hwy 54			170,000	-	-	-
NC DOT Direct Allocation - Town Operation Center			50,000	-	50,000	-
NC DOT MPO Grant - Morgan Creek			169,375	-	60,203	6,689
NC DOT MPO Grant - Traffic Signal Upgrade			450,000	-	11,689	2,922
NC DOT MPO Grant - Booker Creek Linear Park			437,134	-	-	-
NC DOT MPO Grant - Dry Creek Trail			80,000	-	16,661	4,165
NC DOT - Moving Ahead State Earmark		03-AT-056 05-AT-002	236,000	-	57,209	6,357
			130,975	-	30,423	3,380
Total North Carolina Department of Transportation				-	5,421,291	29,188
National Trails Program						
State Library Aid			70,000	-	70,000	-
Governor's Crime Commission Grant - GANG			39,471	-	39,471	-
NCHHS - Project Homeless Connect			49,977	-	12,977	4,325
NC E-Authority Grant			5,425	-	1,925	3,372
Parks & Recreation Trust Fund Grant			50,000	-	-	-
UNC - Old Cemetery			500,000	-	450,000	-
UNC - Aerial Photo			100,000	-	60,389	-
UNC - Traffic Projects			739	-	739	-
			43,909	-	43,909	-
<b>TOTAL STATE ASSISTANCE</b>				-	6,100,701	36,885
<b>TOTAL FINANCIAL ASSISTANCE</b>				\$ 10,597,729	\$ 7,004,988	\$ 1,385,026

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

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, 2008**

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, 2008. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2008, 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.

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