

**Town of Chapel Hill, North Carolina  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2009**

Prepared by:

Town of Chapel Hill  
Business Management Department



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October 26, 2009

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chapel Hill for the fiscal year ended June 30, 2009 (FY 2008-09) is hereby submitted. North Carolina general statutes require each unit of local government to publish within four months after the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. This report reflects the sound fiscal policies our elected officials have established to achieve their annual priorities for programs, services and capital improvements. The town's strong financial position is demonstrated by the highest credit rating attainable in the national bond markets.

Management of the Town of Chapel Hill, North Carolina, is responsible for the integrity and objectivity of financial statements and other representations contained in this annual report. The town's annual financial report, prepared in accordance with generally accepted accounting principles ("GAAP") for units of local government, consists of management's representations concerning the financial position and results of operations for the fiscal year ended June 30, 2009.

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, 2009 are presented in conformity with generally accepted accounting principles. The report of the independent auditors is presented as the first component of the financial section of this report.

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

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

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

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

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



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

Budgetary control is maintained at the 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, 2009.

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

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

### **Profile of the Town of Chapel Hill**

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

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

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

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

### **Factors Affecting Financial Condition**

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

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

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 two remaining planned installment sales will be combined into a single \$20.41 million issuance in FY2009-10. This plan will allow the Town to stay within the 12% policy limit for debt service as a percent of General Fund Expenditures.

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. Due to the recent economic downturn, the construction phase of this project has been delayed. The Town's funding commitment for this project is effective upon completion, which is estimated to be approximately 18-24 months after the start of construction.

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

**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 down to approximately .74% during fiscal year 2008-09. The Town earned interest revenue of about \$261,000 on governmental funds for the year ended June 30, 2009.

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, 2009 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, 2008.

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 2008-09. 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, 2008

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.



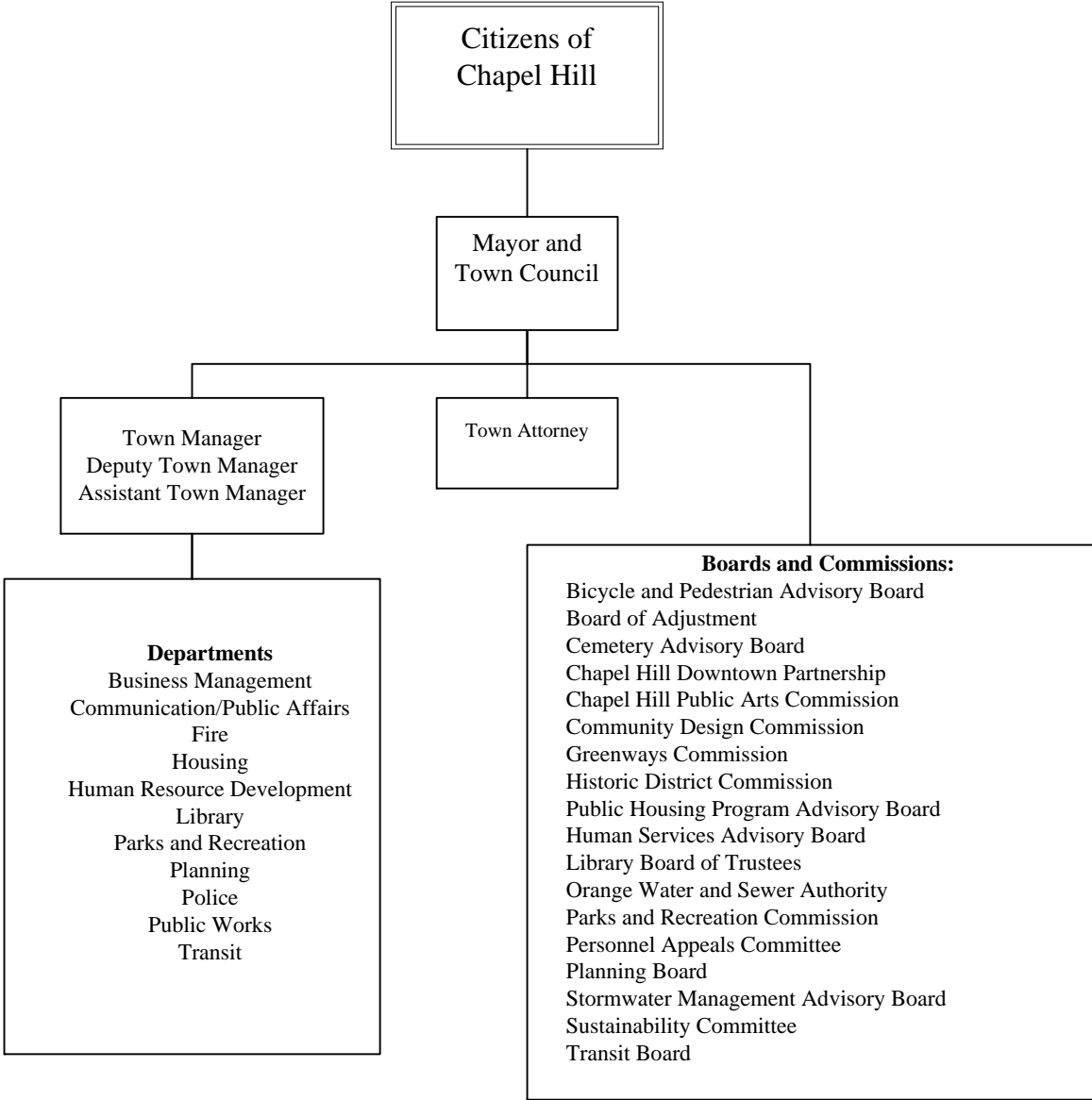
A handwritten signature in black ink, appearing to read "M. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emmer", positioned above the title "Executive Director".

Executive Director

**TOWN OF CHAPEL HILL ORGANIZATION CHART**



**TOWN OF CHAPEL HILL, NORTH CAROLINA  
THE TOWN GOVERNING BODY AND OFFICIALS  
JUNE 30, 2009  
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	Jim Merritt
Bill Strom	

**Officials**

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



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

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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, 2009, 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, 2009, 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 26, 2009

# 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, 2009. The financial statements and notes included in this report present the financial position and operations of governmental and business activities of the town. During the fiscal year, the Town continued its sound current and long-range policies for financial management. These policies are intended to:

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

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

## Financial Highlights

Highlights of the Town's fiscal year ended June 30, 2009, include:

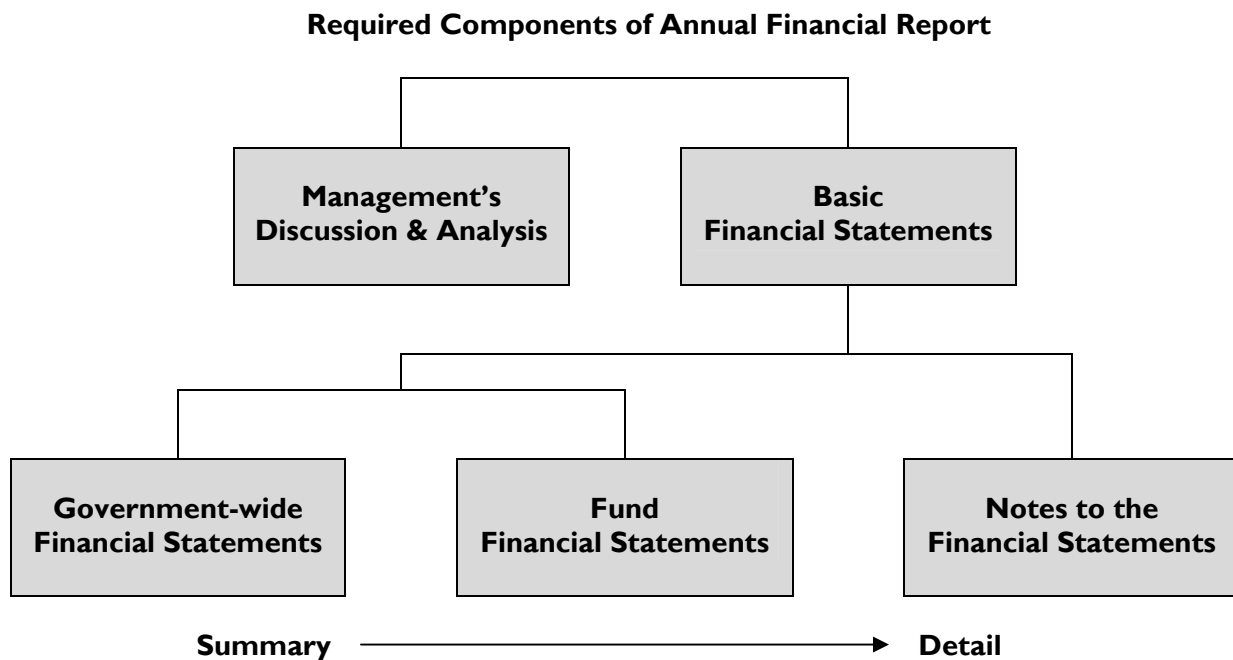
- The financial highlight of the fiscal year was the global economic crisis and the measures that were undertaken to deal with it. When the scope of the economic downturn became clear in the early fall of 2008, the management of the Town responded by instituting a Budget Savings Plan. The savings plan was adopted to manage the anticipated reduction in FY09 revenues and to provide fund balance to ease the pressure on the next year's budget. The budget savings plan included reduced travel, a hiring freeze and required 5% budgetary savings from Town departments. The Town also delayed the planned sale of bonds for a major library renovation and other capital projects.
- Chapel Hill's total assets increased \$7.8 million to \$226.6 million. The increase includes about \$2.1 million in capital construction during the year toward the completion of Southern Community Park and Homestead Aquatics Center, the renovation of North Columbia Street public housing units, installation of new Parks lighting and the Town Hall HVAC system, and continuing work toward the Library renovation project. The increase is also the result of savings realized through the budget savings plan highlighted above.
- At June 30, 2009, total net assets of \$159.1 million included \$112.1 million that represents capital assets and restricted net assets which in large part have been reserved for specific purposes or are needed for working capital to meet the Town's ongoing services to citizens and obligations to creditors.
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$32.6 million, an increase of \$1.1 million in comparison

# Management's Discussion and Analysis

with the prior year. The increase in governmental funds is the purposeful result of the budget savings plan.

- Undesignated fund balance of the General Fund (totaling approximately \$11.6 million after \$3.1 million has been designated for the 2009-10 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 \$2.9 million to \$51 million because of the delay of new debt issuance and the payoff of existing debt.
- Property taxes supported 49% of the governmental services to citizens and the community in 2009.
- 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

# Management's Discussion and Analysis

In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Chapel Hill, including a statistical section. This report includes all funds of the Town as well as a component unit, which is described below. Note A in the financial report includes a further discussion of the reporting entity and descriptions of funds.

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

## Government-wide Financial Statements

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

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

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

## Fund Financial Statements

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

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

# Management's Discussion and Analysis

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

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 66 of this report.

**Supplemental Information** includes certain required information concerning the Town's progress in funding its obligation to provide separation allowance for law enforcement officers and other postemployment benefits. Required supplementary information can be found beginning on page 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, 2009 (as shown in Exhibit 1) with comparative data from June 30, 2008.

## Management's Discussion and Analysis

<b>Town of Chapel Hill's Net Assets</b>						
<b>Figure 2</b>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 43,202,012	\$ 39,773,756	\$ 13,629,739	\$ 11,281,010	\$ 56,831,751	\$ 51,054,766
Capital assets	114,593,013	115,098,485	55,178,369	52,567,504	169,771,382	167,665,989
<b>Total assets</b>	<b>157,795,025</b>	<b>154,872,241</b>	<b>68,808,108</b>	<b>63,848,514</b>	<b>226,603,133</b>	<b>218,720,755</b>
Current liabilities	14,373,831	11,172,594	2,057,964	1,701,021	16,431,795	12,873,615
Non-current liabilities	45,223,934	48,717,293	5,821,253	5,242,215	51,045,187	53,959,508
<b>Total liabilities</b>	<b>59,597,765</b>	<b>59,889,887</b>	<b>7,879,217</b>	<b>6,943,236</b>	<b>67,476,982</b>	<b>66,833,123</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	60,663,476	68,983,330	50,013,369	47,412,337	110,676,845	116,395,667
Restricted	1,478,689	1,661,566	-	-	1,478,689	1,661,566
Unrestricted	36,055,095	24,337,458	10,915,522	9,492,941	46,970,617	33,830,399
<b>Total net assets</b>	<b>\$ 98,197,260</b>	<b>\$ 94,982,354</b>	<b>\$ 60,928,891</b>	<b>\$ 56,905,278</b>	<b>\$ 159,126,151</b>	<b>\$ 151,887,632</b>

The assets of the Town of Chapel Hill exceeded liabilities by \$159 million as of June 30, 2009. The Town's net assets increased by \$7.2 million for the fiscal year, however, the largest portion (69.6%) 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 \$1.5 million) represents resources that are subject to external restrictions on how they may be used. The total unrestricted net assets show a balance of \$46.9 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, 3009, with comparative data for June 30, 2008.

# Management's Discussion and Analysis

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

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,626,136	\$ 5,498,268	\$ 4,934,828	\$ 4,880,349	\$ 10,560,964	\$ 10,378,617
Operating grants and contributions	4,592,770	5,575,312	14,302,498	12,748,532	18,895,268	18,323,844
Capital grants and contributions	8,331,927	16,641,248	6,845,483	9,927,751	15,177,410	26,568,999
<b>General revenues:</b>						
Taxes	41,200,989	38,668,055	2,801,353	2,794,787	44,002,342	41,462,842
Grants and contributions not restricted to specific programs	3,831,599	3,537,017	-	-	3,831,599	3,537,017
Other	1,452,152	2,588,987	99,639	323,160	1,551,791	2,912,147
<b>Total revenues</b>	<b>65,035,573</b>	<b>72,508,887</b>	<b>28,983,801</b>	<b>30,674,579</b>	<b>94,019,374</b>	<b>103,183,466</b>
<b>Expenses:</b>						
General government	7,750,437	6,528,356	-	-	7,750,437	6,528,356
Environment and development	24,840,378	29,260,757	-	-	24,840,378	29,260,757
Public safety	19,536,555	18,593,745	-	-	19,536,555	18,593,745
Leisure activities	8,668,206	5,649,567	-	-	8,668,206	5,649,567
Interest expense	1,969,585	2,210,521	-	-	1,969,585	2,210,521
Transportation	-	-	18,366,495	16,215,262	18,366,495	16,215,262
Parking facilities	-	-	1,736,772	1,612,632	1,736,772	1,612,632
Stormwater management	-	-	1,635,510	1,391,604	1,635,510	1,391,604
Housing operations	-	-	2,276,917	2,203,200	2,276,917	2,203,200
<b>Total expenses</b>	<b>62,765,161</b>	<b>62,242,946</b>	<b>24,015,694</b>	<b>21,422,698</b>	<b>86,780,855</b>	<b>83,665,644</b>
Increase (decrease) in net assets before transfers	2,270,412	10,265,941	4,968,107	9,251,881	7,238,519	19,517,822
Transfers	944,494	230,155	(944,494)	(230,155)	-	-
Increase (decrease) in net assets Net assets, July 1	3,214,906	10,496,096	4,023,613	9,021,726	7,238,519	19,517,822
Net assets, July 1	94,982,354	84,486,258	56,905,278	47,883,552	151,887,632	132,369,810
Net assets, June 30	\$ 98,197,260	\$ 94,982,354	\$ 60,928,891	\$ 56,905,278	\$ 159,126,151	\$ 151,887,632

**Governmental activities.** Governmental activities show an increase in net assets of about \$3.2 million. The increase is principally due to the capital grants for the purchase of buses and completion of construction of the Aquatics Center and Southern Community Park.

**Business-type activities:** Business-type activities increased Chapel Hill's net assets by \$4 million. The increase in net assets comes primarily from the Transit Fund where capital contributions from capital grants totaled \$5 million. The Parking Facilities Fund, Housing Operating fund and the Stormwater Management Fund all had modest 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, 2009, the governmental funds of Chapel Hill reported a combined fund balance of \$32.5 million, a 3.3% increase over last year. This change is largely the result of the budget savings plan in the General Fund.

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 \$14.8 million, of which nearly \$11.7 million is undesignated, while total fund balance reached \$21.2 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 24.8%, and total fund balance, which includes reserves and designated amounts, represents 45% of total 2008-09 General Fund expenditures and other uses, respectively. The total fund balance increased by nearly \$1.4 million. This increase was achieved by a 5% reduction in departmental expenditures and is intended to fund the next year's operations pending a recovery in the economy.

**General Fund Budgetary Highlights:** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Conservative budgeting principles result in actual revenues exceeding budget estimates. With the economic downturn this year, the actual revenues were about \$580,000 more than budgeted. Although sales taxes receipts reflected the economic downturn at \$589,000 under budget, other revenue sources exceeded budget, including utility franchise taxes by \$360,000 and recreation fees by \$217,000 with the addition of the Homestead Aquatics Center. Continuing development also provided revenue in excess of budget for building permits by \$394,000 and planning review fees by \$331,000 over budget.

Expenditures were about \$5.3 million less than budgeted. The underexpenditure primarily reflects efforts by Town departments to conserve or curtail spending in response to the economic downturn. In addition to the 5% reduction in spending, the hiring freeze and other cost-cutting measures, departmental budgets benefitted from the reduced fuel prices experienced during the year. The Public Works budget benefited from another mild winter during 2008-09, reducing requirements for road clearing, debris cleanup and heating of buildings. About \$1.1 million of budget over actual expenditures represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

**Proprietary Funds.** Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Enterprise Funds at the end of the fiscal year were \$4.8 million for the Transit Fund, \$3 million for the Parking Facilities Fund,

# Management's Discussion and Analysis

\$1.4 million for the Housing Operating Fund and \$1.7 million for the Stormwater Management Fund. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

## Capital Asset and Debt Administration

**Capital assets.** Figure 4 below represents the Town of Chapel Hill's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities. As of June 30, 2009, capital assets totaled \$169,771,000 compared with \$167,666,000 in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 26,245,958	\$ 26,284,497	\$ 6,551,034	\$ 6,551,034	\$ 32,796,992	\$ 32,835,531
Land improvements	10,790,965	5,144,183	3,496,450	1,452,491	14,287,415	6,596,674
Infrastructure	19,337,654	20,959,881	-	-	19,337,654	20,959,881
Buildings and building improvements	47,225,057	12,726,516	25,998,424	9,391,533	73,223,481	22,118,049
Equipment	812,360	714,134	1,318,474	189,750	2,130,834	903,884
Vehicles	5,002,013	4,589,254	17,723,386	15,408,689	22,725,399	19,997,943
Construction in progress	5,179,006	44,680,020	90,601	19,574,008	5,269,607	64,254,028
<b>Total</b>	<b>\$ 114,593,013</b>	<b>\$ 115,098,485</b>	<b>\$ 55,178,369</b>	<b>\$ 52,567,505</b>	<b>\$ 169,771,382</b>	<b>\$ 167,665,990</b>

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

- \$1,356,000 for public housing capital renovation;
- \$ 712,000 for work on Southern Community Park;
- \$ 519,000 for replacement of the Town Hall HVAC system;
- \$ 467,000 for renovations to Homestead Aquatics Center;
- \$ 379,000 for replacement of tennis court lighting;
- \$ 307,000 for design and art for the Library renovation project;
- \$ 254,000 for work on the Town Operations Center;
- \$ 254,000 for miscellaneous parks and trails projects;
- \$ 231,000 for sidewalks, traffic calming, streetscape and other pedestrian amenities;
- \$ 125,000 for traffic signals, and
- \$ 406,000 on drainage, development 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 17,415,000	\$ 19,515,000	\$ -	\$ -	\$ 17,415,000	\$ 19,515,000
Installment notes payable	7,355,887	9,080,308	-	-	7,355,887	9,080,308
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	280,611	323,106	-	-	280,611	323,106
Compensated absences	2,191,560	2,075,526	651,181	580,120	2,842,741	2,655,646
Other postemployment benefits	1,483,973	-	820,816	-	2,304,789	-
Certificates of participation	21,770,000	23,135,000	5,165,000	5,430,000	26,935,000	28,565,000
<b>Total</b>	<b>\$ 50,620,177</b>	<b>\$ 54,252,086</b>	<b>\$ 6,636,997</b>	<b>\$ 6,010,120</b>	<b>\$ 57,257,174</b>	<b>\$ 60,262,206</b>

**Long-term Debt.** As shown in Figure 5 above, as of June 30, 2009 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$17,415,000. The Town also had \$21,770,000 of debt in certificates of participation to fund construction of the Town Operations Center. Total debt of about \$57 million includes the addition of other postemployment benefits totaling \$2.3 million as required by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 62 of the Notes to the Financial Statements.

The Town's total debt from governmental activities decreased by \$3.6 million or 6.7%, to just over \$50.6 million during the past fiscal year. The decrease represents payments made during the year toward general obligation bonds and other debt. Business-type debt increased by about \$627,000 to just over \$6.6 million, based on an increase in the Town's liability for compensated absences and for the addition of postemployment benefits. The only additional debt recorded by the Town during the year was for variation in compensated absences due to employees and for the addition of other postemployment benefits.

As mentioned in the financial highlights section of this document, at June 30, 2009 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 \$466 million, well above the town's outstanding

# Management's Discussion and Analysis

debt for general obligation bonds of approximately \$17.4 million, which is about 3.7% of the Town's legal debt limit.

Additional information regarding the Town of Chapel Hill's long-term debt can be found beginning on page 52 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

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

- The Town of Chapel Hill had an unemployment rate of about 5.8% at June 30, 2009, well below the state average of 11%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.
- The average home selling price in 2007 for Chapel Hill was \$358,000, compared with average home selling prices in Wake County at \$213,700, Orange County at \$266,600 and Durham County at \$174,500.

## **Budget Highlights for the Fiscal Year Ending June 30, 2010**

### **Governmental Activities:**

General Fund revenues budgeted for FY10 total \$49.8 million, including the use of \$3.1 million in fund balance, reflecting an increase of only .4% from the budget for 2008-09 in recognition of the economic conditions. Property values were reassessed by Orange County in 2009, and the Town adopted a revenue-neutral property tax rate of 36 cents per \$100 valuation. Tax collection rates in Orange County have been maintained in excess of 99% despite the economic downturn. Allowing for 1.8% growth, General Fund property taxes are expected to increase \$238,000 over 2008-09.

Sales taxes are budgeted at \$8.66 million, a decrease of 10% from the 2008-09 budget in light of the economy. Other General Fund revenues are relatively flat with the exception of development related permits and fees, which are budgeted at a 13.7% increase in anticipation of development review and inspections permits to be issued related to large developments in Town that are under way, including a large expansion by the University of North Carolina at Chapel Hill for the Carolina North project.

General Fund expenditures of \$49.6 million represent a .4% increase from 2008-09, reflecting a hold-the-line budget despite a 17% increase in the cost of employee medical insurance. The largest expenditure increases are for the full year operating costs of the new Aquatics Center and Southern Community Park, and for matching funds for a federal grant for Firefighters.

Debt service costs in 2009-10 are budgeted at \$5.9 million. In 2008-09, a portion of the tax rate was dedicated to the Debt Fund for the first time, and a revenue neutral rate of 9.3 percent was adopted for 2009-10 that is expected to generate about \$6.4 million. This rate will provide funding for existing debt and will enable future debt capacity as existing debt is paid off.

Other governmental activities budgeted for 2009-10 include completion of the capital projects for tennis court light replacement, the construction of a fiber optic network, and the purchase of additional and replacement buses by the Transit Grant special revenue fund with the help of federal and state grants.

# Management's Discussion and Analysis

## **Business – type Activities:**

The Town continued the policy of providing fare-free service for most transit services. The 2009-10 budget for the Transit Fund increased by \$385,000 or 2.4% over 2008-09. The increase in cost is partially offset by additional grants and charges for providing services for new routes to the neighboring community of Hillsborough on behalf of the Triangle Transit Authority.

Parking Facilities Fund revenues are budgeted to increase approximately 5% overall in 2009-10. With the potential for closing Lot 5 for development of a mixed-use project consisting of commercial, retail, housing and underground parking facility, the Town has been developing other options for providing parking in the downtown area.

Housing Operating revenues and expenditures are budgeted at modest increases of 3.1% for 2009-10 based on increases in HUD allocations to fund public housing operations.

Stormwater Management's budget for 2009-10 reflects a decrease of 17.2% from 2008-09 due to the scaling back of capital projects. \$150,000 in capital drainage projects are planned, compared with the budget of \$530,000 for 2008-09.

## **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, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 27,004,906	\$ 9,929,243	\$ 36,934,149	\$ 7,274,608
Taxes receivable, net	236,693	-	236,693	-
Accounts receivable, net	276,643	2,676,805	2,953,448	5,468,246
Due from other governments	9,487,433	-	9,487,433	-
Inventories	177,155	725,823	902,978	795,919
Prepaid items	-	-	-	17,133
Restricted cash and cash equivalents	784,230	57,035	841,265	6,811,395
Total current assets	<u>37,967,060</u>	<u>13,388,906</u>	<u>51,355,966</u>	<u>20,367,301</u>
Non-current assets:				
Restricted cash and cash equivalents	5,097,604	-	5,097,604	1,226,604
Deferred charges	-	240,833	240,833	935,730
Bond discount	137,348	-	137,348	-
Capital assets (Note F):				
Land and construction in progress	31,424,964	6,641,635	38,066,599	43,153,781
Other capital assets, net of accumulated depreciation	83,168,049	48,536,734	131,704,783	247,996,014
Total capital assets	<u>114,593,013</u>	<u>55,178,369</u>	<u>169,771,382</u>	<u>291,149,795</u>
Total non-current assets	<u>119,827,965</u>	<u>55,419,202</u>	<u>175,247,167</u>	<u>293,312,129</u>
Total assets	<u>157,795,025</u>	<u>68,808,108</u>	<u>226,603,133</u>	<u>313,679,430</u>
<b>LIABILITIES</b>				
Current liabilities:				
Internal balances	132,205	(132,205)	-	-
Accounts payable and accrued liabilities	7,207,465	860,331	8,067,796	3,447,661
Customer deposits	76,647	-	76,647	-
Unearned revenue	326,701	514,094	840,795	-
Other	47,837	-	47,837	-
Liabilities payable from restricted assets	-	-	-	1,970,281
Current portion of long-term liabilities	6,582,976	815,744	7,398,720	4,856,070
Total current liabilities	<u>14,373,831</u>	<u>2,057,964</u>	<u>16,431,795</u>	<u>10,274,012</u>
Non-current liabilities:				
Bond premium	1,186,733	-	1,186,733	-
Due in more than one year	44,037,201	5,821,253	49,858,454	102,565,683
Total non-current liabilities	<u>45,223,934</u>	<u>5,821,253</u>	<u>51,045,187</u>	<u>102,565,683</u>
Total liabilities	<u>59,597,765</u>	<u>7,879,217</u>	<u>67,476,982</u>	<u>112,839,695</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	61,447,706	50,013,369	111,461,075	184,466,042
Restricted for:				
Capital projects	84,128	-	84,128	-
Affordable housing	702,182	-	702,182	-
Public safety	250,822	-	250,822	-
Culture and recreation	441,557	-	441,557	-
Water and sewer	-	-	-	1,232,718
Unrestricted	35,270,865	10,915,522	46,186,387	15,140,975
Total net assets	<u>\$ 98,197,260</u>	<u>\$ 60,928,891</u>	<u>\$ 159,126,151</u>	<u>\$ 200,839,735</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, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 7,750,437	\$ 1,670,604	\$ -
Environment and development	24,840,378	3,059,049	2,516,767
Public safety	19,536,555	110,137	1,691,179
Leisure activities	8,668,206	786,346	384,824
Interest expense	1,969,585	-	-
<b>Total governmental activities</b>	<u>62,765,161</u>	<u>5,626,136</u>	<u>4,592,770</u>
Business-type activities:			
Transportation	18,366,495	735,142	12,915,589
Parking Facilities	1,736,772	2,043,999	-
Housing Operations	2,276,917	415,568	1,371,614
Stormwater Management	1,635,510	1,740,119	15,295
<b>Total business-type activities</b>	<u>24,015,694</u>	<u>4,934,828</u>	<u>14,302,498</u>
<b>Total primary government</b>	<u>\$ 86,780,855</u>	<u>\$ 10,560,964</u>	<u>\$ 18,895,268</u>
Component unit - Orange Water and Sewer Authority	<u>\$ 30,379,597</u>	<u>\$ 29,537,290</u>	<u>\$ -</u>

General revenues:

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

Grants and contributions not restricted to specific programs:

- Intergovernmental
- Investment earnings
- Miscellaneous
- 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>	
\$ -	\$ (6,079,833)	\$ -	\$ (6,079,833)	\$ -
8,331,927	(10,932,635)	-	(10,932,635)	-
-	(17,735,239)	-	(17,735,239)	-
-	(7,497,036)	-	(7,497,036)	-
-	(1,969,585)	-	(1,969,585)	-
<u>8,331,927</u>	<u>(44,214,328)</u>	<u>-</u>	<u>(44,214,328)</u>	<u>-</u>
6,845,483	-	2,129,719	2,129,719	-
-	-	307,227	307,227	-
-	-	(489,735)	(489,735)	-
-	-	119,904	119,904	-
<u>6,845,483</u>	<u>-</u>	<u>2,067,115</u>	<u>2,067,115</u>	<u>-</u>
<u>\$ 15,177,410</u>	<u>(44,214,328)</u>	<u>2,067,115</u>	<u>(42,147,213)</u>	<u>-</u>
<u>\$ 14,493,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,651,681</u>
	31,162,920	2,801,353	33,964,273	-
	9,033,512	-	9,033,512	-
	891,857	-	891,857	-
	112,700	-	112,700	-
	3,831,599	-	3,831,599	-
	261,025	66,369	327,394	80,343
	1,191,127	33,270	1,224,397	2,504,146
	<u>944,494</u>	<u>(944,494)</u>	<u>-</u>	<u>-</u>
	<u>47,429,234</u>	<u>1,956,498</u>	<u>49,385,732</u>	<u>2,584,489</u>
	3,214,906	4,023,613	7,238,519	16,236,170
	94,982,354	56,905,278	151,887,632	184,603,565
	<u>\$ 98,197,260</u>	<u>\$ 60,928,891</u>	<u>\$ 159,126,151</u>	<u>\$ 200,839,735</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, 2009

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,897,482	\$ 845,065	\$ -	\$ 4,258,013	\$ 25,000,560
Receivables:					
Due from other funds	496,125	-	-	-	496,125
Property taxes, net	236,693	-	-	-	236,693
Governmental units and agencies	3,958,644	1,594,125	3,018,890	915,774	9,487,433
Other	276,643	-	-	-	276,643
Inventories	2,599	-	-	16,538	19,137
Restricted cash and equivalents	-	4,884,647	-	212,957	5,097,604
<b>TOTAL ASSETS</b>	<u>24,868,186</u>	<u>7,323,837</u>	<u>3,018,890</u>	<u>5,403,282</u>	<u>40,614,195</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ 140,679	\$ 161,581	\$ 326,070	\$ 628,330
Accounts payable	1,428,601	37,491	2,774,492	720,162	4,960,746
Accrued liabilities	1,659,111	355	8,982	63,932	1,732,380
Deferred revenue	268,294	-	-	-	268,294
Unearned revenue	107,890	84,128	73,835	60,848	326,701
Deposits	76,647	-	-	-	76,647
Other	34,116	-	-	13,721	47,837
Total liabilities	<u>3,574,659</u>	<u>262,653</u>	<u>3,018,890</u>	<u>1,184,733</u>	<u>8,040,935</u>

Continued

**GOVERNMENTAL FUNDS**

**BALANCE SHEET  
JUNE 30, 2009**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General</b>	<b>Capital Projects Ordinance</b>	<b>Transit Grants Fund</b>	<b>Other Governmental Funds</b>	
<b>FUND BALANCES</b>					
Reserved:					
Reserved for encumbrances	\$ 1,079,576	\$ -	\$ -	\$ 373,427	\$ 1,453,003
Reserved by State statute	4,699,811	-	-	325,537	5,025,348
Reserved for capital improvements	364,815	6,216,119	-	266,573	6,847,507
Reserved for police	219,610	-	-	-	219,610
Reserved for Cal Horton Award	102,188	-	-	-	102,188
Reserved for inventories	2,599	-	-	16,538	19,137
Reserved for debt service	-	-	-	1,043,175	1,043,175
Reserved for community development	-	-	-	97,566	97,566
Reserved for land in trust	-	-	-	30,190	30,190
Reserved for aid to library operations	-	-	-	339,369	339,369
Unreserved:					
Designated for subsequent year's expenditures, reported in:					
General fund	3,134,373	-	-	-	3,134,373
Special revenue funds	-	-	-	117,071	117,071
Undesignated:					
General fund	11,690,555	-	-	-	11,690,555
Special revenue funds	-	-	-	263,934	263,934
Capital project funds	-	845,065	-	1,345,169	2,190,234
<b>Total fund balances</b>	<b>21,293,527</b>	<b>7,061,184</b>	<b>-</b>	<b>4,218,549</b>	<b>32,573,260</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 24,868,186</b>	<b>\$ 7,323,837</b>	<b>\$ 3,018,890</b>	<b>\$ 5,403,282</b>	<b>\$ 40,614,195</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, 2009**

Fund balances - total governmental funds \$ 32,573,260

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	149,230,115	
Less accumulated depreciation	39,411,437	109,818,678

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	(42,830,611)	
Other postemployment benefits	(1,453,041)	
Orange County loan payable	(123,146)	
Accrued vacation payable	(2,171,600)	
Bond premium	(1,049,385)	(47,627,783)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements	268,294
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Internal service funds are used by management to charge the costs of certain activities to individual funds

The assets and liabilities of the internal service funds that are reported within governmental activities	3,164,811
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Net assets of governmental activities	\$ 98,197,260
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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, 2009

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
<b>REVENUES</b>					
Taxes	\$ 34,686,084	\$ -	\$ -	\$ 6,514,905	\$ 41,200,989
Licenses and permits	2,200,422	-	-	-	2,200,422
Fines and forfeitures	41,815	-	-	-	41,815
Intergovernmental revenues					
Federal government	11,823	8,454	4,796,940	2,692,837	7,510,054
State government	6,678,613	231,552	319,111	86,017	7,315,293
Other	348,893	1,424,428	4,741	152,887	1,930,949
Charges for services	3,183,330	18,050	-	14,950	3,216,330
Interest on investments	115,925	111,272	-	33,828	261,025
Franchise rental fees	-	-	-	61,246	61,246
Program income	-	-	-	12,741	12,741
Cable Public Access Reserves	-	-	-	93,582	93,582
Donations	101,455	77,200	-	85,485	264,140
Revenue in lieu	10,900	2,000	-	198,616	211,516
Other	671,214	-	-	44,257	715,471
<b>Total revenues</b>	<b>48,050,474</b>	<b>1,872,956</b>	<b>5,120,792</b>	<b>9,991,351</b>	<b>65,035,573</b>
<b>EXPENDITURES</b>					
General government	7,272,596	-	-	-	7,272,596
Environment and development	12,960,572	-	5,763,959	2,866,077	21,590,608
Public safety	17,994,310	-	-	692,604	18,686,914
Leisure activities	7,245,885	-	-	152,720	7,398,605
Capital projects	-	2,375,726	-	1,460,617	3,836,343
Debt service:					
Principal	-	-	-	4,000,000	4,000,000
Interest and fiscal charges	-	-	-	1,969,585	1,969,585
<b>Total expenditures</b>	<b>45,473,363</b>	<b>2,375,726</b>	<b>5,763,959</b>	<b>11,141,603</b>	<b>64,754,651</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,577,111</b>	<b>(502,770)</b>	<b>(643,167)</b>	<b>(1,150,252)</b>	<b>280,922</b>

Continued



## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2009

	Major Funds				Total Governmental Funds
	General	Capital Projects Ordinance	Transit Grants Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	\$ 373,206	\$ 127,314	\$ 643,167	\$ 1,430,297	\$ 2,573,984
Transfer to other funds	(1,552,916)	(37,000)	-	(202,242)	(1,792,158)
Total other financing sources (uses)	(1,179,710)	90,314	643,167	1,228,055	781,826
NET CHANGE IN TOTAL FUND BALANCES	1,397,401	(412,456)	-	77,803	1,062,748
FUND BALANCES, BEGINNING	19,896,126	7,473,640	-	4,140,746	31,510,512
FUND BALANCES, ENDING	\$ 21,293,527	\$ 7,061,184	\$ -	\$ 4,218,549	\$ 32,573,260

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, 2009

Net change in fund balances - total governmental funds	1,062,748
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Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Expenditures for capital assets	3,518,621	
Current year's depreciation	4,141,151	(622,530)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.	(241,846)
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Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.

Principal payments	4,000,000
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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.	65,586
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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	(126,640)
Change in long-term separation allowance	42,495
Other postemployment benefits	(1,453,041)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(178,626)
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Internal service funds are used by management to charge the costs of certain activities to individual funds	666,760
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Change in net assets of governmental activities	\$ 3,214,906
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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, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 24,733,000	\$ 24,733,000	\$ 24,648,015	\$ (84,985)
Local option sales taxes	9,623,000	9,623,000	9,033,512	(589,488)
Other taxes	1,084,000	1,084,000	1,004,557	(79,443)
Licenses and permits	1,416,900	1,771,581	2,200,422	428,841
Fines and forfeitures	34,500	34,500	41,815	7,315
Intergovernmental revenues	6,326,363	6,615,441	7,039,329	423,888
Charges for services	2,696,198	2,696,198	3,183,330	487,132
Interest on investments	200,000	200,000	115,925	(84,075)
Other	594,260	712,836	783,569	70,733
<b>TOTAL REVENUES</b>	<b>46,708,221</b>	<b>47,470,556</b>	<b>48,050,474</b>	<b>579,918</b>
<b>EXPENDITURES</b>				
General government	7,836,038	9,005,883	7,272,596	1,733,287
Environment and development	13,286,985	14,310,976	12,960,572	1,350,404
Public safety	19,155,021	19,323,881	17,994,310	1,329,571
Leisure activities	7,909,231	8,142,036	7,245,885	896,151
<b>Total expenditures</b>	<b>48,187,275</b>	<b>50,782,776</b>	<b>45,473,363</b>	<b>5,309,413</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,479,054)</b>	<b>(3,312,220)</b>	<b>2,577,111</b>	<b>5,889,331</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds	168,905	247,905	373,206	125,301
Transfer to other funds	(1,433,725)	(1,874,828)	(1,552,916)	321,912
Appropriated fund balance	2,743,874	4,939,143	-	(4,939,143)
<b>Total other financing sources (uses)</b>	<b>1,479,054</b>	<b>3,312,220</b>	<b>(1,179,710)</b>	<b>(4,491,930)</b>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,397,401</b>	<b>\$ 1,397,401</b>
<b>FUND BALANCE, BEGINNING</b>			<b>19,896,126</b>	
<b>FUND BALANCE, ENDING</b>			<b>\$ 21,293,527</b>	

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,797,497	\$ 2,963,387	\$ 1,373,843	\$ 1,794,516
Restricted cash and cash equivalents	-	-	57,035	-
Receivables:				
Accounts receivable, net	2,426,610	15,254	162,489	72,452
Due from other funds	161,581	-	-	-
Prepaid items	-	-	-	-
Inventories	568,993	-	156,830	-
Total current assets	<u>6,954,681</u>	<u>2,978,641</u>	<u>1,750,197</u>	<u>1,866,968</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets:				
Restricted cash and cash equivalents	-	-	-	-
Deferred charges	-	240,833	-	-
Total restricted assets	<u>-</u>	<u>240,833</u>	<u>-</u>	<u>-</u>
Capital assets:				
Land and other non-depreciable assets	2,099,537	2,749,838	1,701,659	90,601
Other capital assets, net of accumulated depreciation	38,112,782	2,087,959	8,300,542	35,451
Total capital assets, net	<u>40,212,319</u>	<u>4,837,797</u>	<u>10,002,201</u>	<u>126,052</u>
Total noncurrent assets	<u>40,212,319</u>	<u>5,078,630</u>	<u>10,002,201</u>	<u>126,052</u>
<b>TOTAL ASSETS</b>	<u>47,167,000</u>	<u>8,057,271</u>	<u>11,752,398</u>	<u>1,993,020</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	116,457	25,162	101,837	50,249
Accrued liabilities	429,912	35,241	46,605	54,868
Due to other funds	-	-	29,376	-
Compensated absences	437,271	33,562	58,673	16,238
Unearned revenue	503,086	11,008	-	-
Installment purchase agreements	-	-	-	-
Certificates of participation	-	270,000	-	-
Total current liabilities	<u>1,486,726</u>	<u>374,973</u>	<u>236,491</u>	<u>121,355</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	51,728	7,773	20,416	25,520
Other postemployment benefits	620,570	79,395	70,311	50,540
Installment purchase agreements	-	-	-	-
Certificates of participation	-	4,895,000	-	-
Total noncurrent liabilities	<u>672,298</u>	<u>4,982,168</u>	<u>90,727</u>	<u>76,060</u>
Total liabilities	<u>2,159,024</u>	<u>5,357,141</u>	<u>327,218</u>	<u>197,415</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	40,212,319	(327,203)	10,002,201	126,052
Restricted:				
Vehicle replacement	-	-	-	-
Unrestricted	4,795,657	3,027,333	1,422,979	1,669,553
Total net assets	<u>\$ 45,007,976</u>	<u>\$ 2,700,130</u>	<u>\$ 11,425,180</u>	<u>\$ 1,795,605</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2009	2008	2009	2008
\$ 9,929,243	\$ 10,016,410	\$ 2,004,346	\$ 1,347,883
57,035	62,556	-	-
2,676,805	138,197	-	1,810
161,581	602,429	-	-
-	117,102	-	5,900
725,823	688,912	158,018	155,851
<u>13,550,487</u>	<u>11,625,606</u>	<u>2,162,364</u>	<u>1,511,444</u>
-	-	784,230	1,937,456
240,833	257,833	-	-
<u>240,833</u>	<u>257,833</u>	<u>784,230</u>	<u>1,937,456</u>
6,641,635	26,125,042	-	-
48,536,734	26,442,463	4,774,335	4,415,431
55,178,369	52,567,505	4,774,335	4,415,431
55,419,202	52,825,338	5,558,565	6,352,887
<u>68,969,689</u>	<u>64,450,944</u>	<u>7,720,929</u>	<u>7,864,331</u>
293,705	488,291	485,385	129,063
566,626	544,033	28,954	26,343
29,376	9,383	-	-
545,744	502,905	19,960	23,140
514,094	493,839	-	-
-	-	921,022	1,189,207
270,000	265,000	-	-
<u>2,219,545</u>	<u>2,303,451</u>	<u>1,455,321</u>	<u>1,367,753</u>
105,437	77,215	-	7,426
820,816	-	30,932	-
-	-	3,069,865	3,991,101
4,895,000	5,165,000	-	-
<u>5,821,253</u>	<u>5,242,215</u>	<u>3,100,797</u>	<u>3,998,527</u>
<u>8,040,798</u>	<u>7,545,666</u>	<u>4,556,118</u>	<u>5,366,280</u>
50,013,369	47,137,505	1,567,678	(764,877)
-	-	-	1,937,456
10,915,522	9,767,773	1,597,133	1,325,472
<u>\$ 60,928,891</u>	<u>\$ 56,905,278</u>	<u>\$ 3,164,811</u>	<u>\$ 2,498,051</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 589,869	\$ 2,043,999	\$ 415,568	\$ 1,740,119
<b>OPERATING EXPENSES</b>				
Personnel	10,516,462	785,990	1,012,968	945,907
Drainage Maintenance	-	-	-	205,716
Depreciation and amortization	3,257,405	385,737	656,996	4,539
Fuel and tires	1,445,689	-	-	-
Indirect costs	969,401	72,439	-	86,999
Maintenance and repairs	1,423,502	-	265,058	-
Insurance	364,340	-	-	-
Marketing	47,728	-	-	-
Consulting	-	-	-	198,792
Tarheel Express	33,665	-	-	-
Uniforms and supplies	72,583	-	-	-
Other	235,720	294,101	341,895	193,557
Total operating expenses	<u>18,366,495</u>	<u>1,538,267</u>	<u>2,276,917</u>	<u>1,635,510</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(17,776,626)</u>	<u>505,732</u>	<u>(1,861,349)</u>	<u>104,609</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Operating Assistance Grant	2,400,000	-	1,371,614	15,295
State Operating Assistance Grant	3,319,737	-	-	-
Operating assistance-UNC Chapel Hill	6,120,572	-	-	-
Operating assistance-Town of Carrboro	1,075,280	-	-	-
Vehicle Licenses	145,273	-	-	-
Ad valorem taxes	2,801,353	-	-	-
Interest on investments	22,026	21,117	10,257	12,969
Insurance claims	-	-	-	-
Interest expense	-	(198,505)	-	-
Gain on sale of capital assets	24,580	-	-	-
Bond issuance expense	-	(17,000)	-	-
Revenue in lieu	25,690	-	-	-
Total nonoperating revenues (expenses), net	<u>15,934,511</u>	<u>(194,388)</u>	<u>1,381,871</u>	<u>28,264</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(1,842,115)</u>	<u>311,344</u>	<u>(479,478)</u>	<u>132,873</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u>5,062,065</u>	<u>-</u>	<u>1,783,418</u>	<u>-</u>
<b>TRANSFERS</b>				
Transfers in	696,920	-	-	5,251
Transfers out	(1,348,387)	(170,964)	-	(127,314)
Total transfers	<u>(651,467)</u>	<u>(170,964)</u>	<u>-</u>	<u>(122,063)</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,568,483</u>	<u>140,380</u>	<u>1,303,940</u>	<u>10,810</u>
<b>NET ASSETS, BEGINNING</b>	<u>42,439,493</u>	<u>2,559,750</u>	<u>10,121,240</u>	<u>1,784,795</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 45,007,976</u>	<u>\$ 2,700,130</u>	<u>\$ 11,425,180</u>	<u>\$ 1,795,605</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2009	2008	2009	2008
\$ 4,789,555	\$ 4,730,945	\$ 2,758,316	\$ 2,440,294
13,261,327	11,474,283	572,169	596,096
205,716	500,000	-	-
4,304,677	2,925,148	1,132,619	1,008,181
1,445,689	1,922,185	-	-
1,128,839	1,047,881	-	-
1,688,560	1,745,170	-	-
364,340	317,009	-	-
47,728	75,672	-	-
198,792	191,114	-	-
33,665	41,153	-	-
72,583	66,208	-	-
1,065,273	909,028	574,596	613,327
23,817,189	21,214,851	2,279,384	2,217,604
(19,027,634)	(16,483,906)	478,932	222,690
3,786,909	2,595,995	-	-
3,319,737	3,545,519	-	-
6,120,572	5,699,526	-	-
1,075,280	907,492	-	-
145,273	149,404	-	-
2,801,353	2,794,787	-	-
66,369	270,583	16,431	97,703
-	-	7,157	-
(198,505)	(207,847)	(160,793)	(156,864)
24,580	19,277	162,365	138,875
(17,000)	(17,000)	-	-
25,690	50,300	-	-
17,150,258	15,808,036	25,160	79,714
(1,877,376)	(675,870)	504,092	302,404
6,845,483	9,927,751	-	-
702,171	179,718	162,668	21,000
(1,646,665)	(409,873)	-	-
(944,494)	(230,155)	162,668	21,000
4,023,613	9,021,726	666,760	323,404
56,905,278	47,883,552	2,498,051	2,174,647
\$ 60,928,891	\$ 56,905,278	\$ 3,164,811	\$ 2,498,051

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ (1,395,893)	\$ 2,042,284	\$ 318,612	\$ 1,726,772
Payments to employees	(9,769,381)	(699,188)	(1,005,083)	(852,950)
Payments to suppliers	(4,844,518)	(347,300)	(487,047)	(666,702)
Net cash provided by (used in) operating activities	<u>(16,009,792)</u>	<u>995,796</u>	<u>(1,173,518)</u>	<u>207,120</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating grant funds received	5,719,737	-	1,371,614	15,295
Operating assistance received	7,195,852	-	-	-
Taxes and licenses received	2,946,626	-	-	-
Transfers to other funds	(1,348,387)	(170,964)	-	(127,314)
Transfers from other funds	696,920	-	-	5,251
Revenue in lieu received	25,690	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>15,236,438</u>	<u>(170,964)</u>	<u>1,371,614</u>	<u>(106,768)</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	-	(265,000)	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	(198,505)	-	-
Disposal of capital assets	24,580	-	-	-
Capital contributions	5,062,065	-	1,783,418	-
Proceeds from insurance recovery	-	-	-	-
Acquisition and construction of capital assets	(5,062,065)	(6,300)	(1,783,418)	(63,758)
Net cash provided by (used in) capital and related financing activities	<u>24,580</u>	<u>(469,805)</u>	<u>-</u>	<u>(63,758)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	22,026	21,117	10,257	12,969
Net cash provided by investing activities	<u>22,026</u>	<u>21,117</u>	<u>10,257</u>	<u>12,969</u>



Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2009	2008	2009	2008
\$ 2,691,775	\$ 4,499,143	\$ 2,760,126	\$ 2,473,669
(12,326,602)	(11,372,796)	(549,232)	(582,763)
(6,345,567)	(7,050,748)	(214,541)	(1,792,556)
(15,980,394)	(13,924,401)	1,996,353	98,350
7,106,646	6,141,514	-	-
7,195,852	6,607,018	-	-
2,946,626	2,944,191	-	-
(1,646,665)	(409,873)	-	-
702,171	179,718	162,668	21,000
25,690	50,300	-	-
16,330,320	15,512,868	162,668	21,000
-	-	-	1,587,500
(265,000)	(250,000)	(1,189,420)	(1,396,753)
(198,505)	(207,847)	(160,793)	(156,864)
24,580	19,277	166,475	182,071
6,845,483	9,927,751	-	-
-	-	7,157	-
(6,915,541)	(9,965,794)	(1,495,634)	(1,461,394)
(508,983)	(476,613)	(2,672,215)	(1,245,440)
66,369	270,583	16,431	97,703
66,369	270,583	16,431	97,703

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
Continued				
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(726,748)	376,144	208,353	49,563
CASH AND INVESTMENTS, BEGINNING	4,524,245	2,587,243	1,222,525	1,744,953
CASH AND INVESTMENTS, ENDING	<u>\$ 3,797,497</u>	<u>\$ 2,963,387</u>	<u>\$ 1,430,878</u>	<u>\$ 1,794,516</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (17,776,626)	\$ 505,732	\$ (1,861,349)	\$ 104,609
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,257,405	385,737	656,996	4,539
Changes in assets and liabilities:				
Receivables	(1,985,762)	(1,715)	(96,956)	(13,347)
Prepaid items	-	-		3,942
Inventories	45,627	5,500	25,122	-
Accounts payable	(297,517)	13,740	94,784	14,420
Accrued liabilities	89,524	4,627	(67,893)	16,590
Accrued compensated absences	36,987	2,780	5,467	25,827
Accrued OPEB liability	620,570	79,395	70,311	50,540
Net cash provided by (used in) operating activities	<u>\$ (16,009,792)</u>	<u>\$ 995,796</u>	<u>\$ (1,173,518)</u>	<u>\$ 207,120</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2009	2008	2009	2008
(92,688)	1,382,437	(496,763)	(1,028,387)
10,078,966	8,696,529	3,285,339	4,313,726
<u>\$ 9,986,278</u>	<u>\$ 10,078,966</u>	<u>\$ 2,788,576</u>	<u>\$ 3,285,339</u>
\$ (19,027,634)	\$ (16,483,906)	\$ 478,932	\$ 222,690
4,304,677	2,925,148	1,132,619	1,008,181
(2,097,780)	(231,802)	1,810	33,375
3,942	(104,370)	5,900	(5,900)
76,249	(34,758)	(2,167)	6,475
(174,573)	(96,200)	356,322	(1,179,804)
42,848	48,110	(7,995)	13,333
71,061	53,377	-	-
820,816	-	30,932	-
<u>\$ (15,980,394)</u>	<u>\$ (13,924,401)</u>	<u>\$ 1,996,353</u>	<u>\$ 98,350</u>

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**TOWN OF CHAPEL HILL, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

**2. Basis of Presentation**

*Government-wide Statements:* The statement of net assets and the statement of activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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 2009-2010 fiscal year and are not shown as receivables at June 30, 2009.

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, 2009.

The Council's schedule for developing the 2008-09 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 9, 2008.

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

#### 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. 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.

### 12. 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.

### 13. 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.

#### 14. 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, 2009, OWASA had recorded a liability for accrued vacation of \$421,094.

#### 15. 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	\$ 236,693	\$ 8,290	\$ 244,983
Grants receivable	-	218,618	218,618
Other receivables	31,601	99,793	131,394
	<u>\$ 268,294</u>	<u>\$ 326,701</u>	<u>\$ 594,995</u>

#### 16. 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.

*Unreserved:*

Designated for subsequent year's expenditures - represents the amount of fund balance appropriated that has been designated for the adopted 2009-10 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. 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 \$37,903,745 and a bank balance of \$42,722,566. Of the bank balance, \$500,413 was covered by federal depository insurance, \$1,497,912 was covered by collateral held under the Dedicated Method and \$40,869,674 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$5,019 at year end.

At year-end, OWASA's deposits had a carrying amount of \$8,450,339 and a bank balance of \$8,551,150. Of the bank balance, \$565,586 was covered by federal depository insurance and \$7,985,564 in interest-bearing deposits were covered by collateral held under the pooling method. OWASA had cash on hand of \$1,175 at year end.

## **C. Investments**

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

North Carolina General Statute 159-30(c) authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptance; and The North Carolina Cash Management Trust, a SEC registered mutual fund.

At June 30, 2009, the Town had \$4,964,254 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>\$ 6,861,093</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. The North Carolina Capital Management Trust has a weighted average maturity of 1.8 years as of June 30, 2009.

*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, 2009.

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

#### **D. Receivables and Allowances for Uncollectible Amounts**

Due from other governments to the Town at June 30, 2009 consists of the following:

	<b>Governmental Funds</b>
Sales tax refunds receivable	\$ 304,261
Due from Federal Government	3,582,302
Due from State	4,038,615
Due from local governments	1,562,255
	<u>\$ 9,487,433</u>

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

Governmental activities, allowance for uncollectible prop	\$ 508,177
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**E. Capital Assets**

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2009 follows:

	July 1 2008	Increases	Decreases	June 30, 2009
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 26,284,497	\$ 2,667	\$ 41,206	\$ 26,245,958
Construction in progress	44,680,020	4,769,443	44,270,457	5,179,006
Total capital assets, not being depreciated	<u>70,964,517</u>	<u>4,772,110</u>	<u>44,311,663</u>	<u>31,424,964</u>
Capital assets, being depreciated:				
Land improvements	6,875,095	6,117,661	-	12,992,756
Infrastructure	35,740,320	-	200,640	35,539,680
Buildings and building improvements	26,532,709	36,416,253	-	62,948,962
Equipment	4,615,075	299,665	-	4,914,740
Vehicles	11,298,534	1,764,877	1,097,249	11,966,162
Total capital assets, being depreciated	<u>85,061,733</u>	<u>44,598,456</u>	<u>1,297,889</u>	<u>128,362,300</u>
Accumulated depreciation:				
Land improvements	1,730,912	470,879	-	2,201,791
Infrastructure	14,780,439	1,421,587	-	16,202,026
Buildings and building improvements	13,806,193	1,917,712	-	15,723,905
Equipment	3,900,941	201,439	-	4,102,380
Vehicles	6,709,280	1,262,153	1,007,284	6,964,149
Total accumulated depreciation	<u>40,927,765</u>	<u>5,273,770</u>	<u>1,007,284</u>	<u>45,194,251</u>
Total capital assets, being depreciated, net	<u>44,133,968</u>	<u>39,324,686</u>	<u>290,605</u>	<u>83,168,049</u>
Governmental activities capital assets, net	<u>\$ 115,098,485</u>	<u>\$ 44,096,796</u>	<u>\$ 44,602,268</u>	<u>\$ 114,593,013</u>



	July 1, 2008	Increases	Decreases	June 30, 2009
<b>Business-type activities:</b>				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	19,535,965	186,075	19,722,040	-
Total capital assets, not being depreciated	<u>21,635,502</u>	<u>186,075</u>	<u>19,722,040</u>	<u>2,099,537</u>
Capital assets, being depreciated:				
Land improvements	3,721,748	2,252,260	-	5,974,008
Buildings and building improvements	1,355,640	16,268,244	-	17,623,884
Equipment	1,152,278	1,242,375	436,592	1,958,061
Vehicles	27,079,091	4,835,151	1,519,387	30,394,855
Total capital assets, being depreciated	<u>33,308,757</u>	<u>24,598,030</u>	<u>1,955,979</u>	<u>55,950,808</u>
Accumulated depreciation:				
Land improvements	2,499,337	219,048	-	2,718,385
Buildings and building improvements	1,322,433	410,585	-	1,733,018
Equipment	1,002,055	116,973	436,592	682,436
Vehicles	11,712,775	2,510,799	1,519,387	12,704,187
Total accumulated depreciation	<u>16,536,600</u>	<u>3,257,405</u>	<u>1,955,979</u>	<u>17,838,026</u>
Total capital assets, being depreciated, net	<u>16,772,157</u>	<u>21,340,625</u>	<u>-</u>	<u>38,112,782</u>
Transit fund capital assets, net	<u>\$ 38,407,659</u>	<u>\$ 21,526,700</u>	<u>\$ 19,722,040</u>	<u>\$ 40,212,319</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	6,300	-	253,269
Vehicles	28,047	-	28,047	-
Total capital assets, being depreciated	<u>7,941,667</u>	<u>6,300</u>	<u>28,047</u>	<u>7,919,920</u>
Accumulated depreciation:				
Land improvements	322,618	8,906	-	331,524
Buildings and building improvements	4,915,477	364,139	-	5,279,616
Equipment	208,129	12,692	-	220,821
Vehicles	28,047	-	28,047	-
Total accumulated depreciation	<u>5,474,271</u>	<u>385,737</u>	<u>28,047</u>	<u>5,831,961</u>
Total capital assets, being depreciated, net	<u>2,467,396</u>	<u>(379,437)</u>	<u>-</u>	<u>2,087,959</u>
Parking facilities fund capital assets, net	<u>\$ 5,217,234</u>	<u>\$ (379,437)</u>	<u>\$ -</u>	<u>\$ 4,837,797</u>

	July 1, 2008	Increases	Decreases	June 30, 2009
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Total capital assets, not being depreciated	<u>1,701,659</u>	<u>-</u>	<u>-</u>	<u>1,701,659</u>
Capital assets, being depreciated:				
Land improvements	284,780	38,596	-	323,376
Buildings and building improvements	17,532,998	1,744,822	-	19,277,820
Equipment	355,028	-	-	355,028
Vehicles	210,026	-	-	210,026
Total capital assets, being depreciated	<u>18,382,832</u>	<u>1,783,418</u>	<u>-</u>	<u>20,166,250</u>
Accumulated depreciation:				
Land improvements	143,082	15,204	-	158,286
Buildings and building improvements	10,543,636	631,451	-	11,175,087
Equipment	354,341	687	-	355,028
Vehicles	167,653	9,654	-	177,307
Total accumulated depreciation	<u>11,208,712</u>	<u>656,996</u>	<u>-</u>	<u>11,865,708</u>
Total capital assets, being depreciated, net	<u>7,174,120</u>	<u>1,126,422</u>	<u>-</u>	<u>8,300,542</u>
Housing operating fund capital assets, net	<u>\$ 8,875,779</u>	<u>\$ 1,126,422</u>	<u>\$ -</u>	<u>\$ 10,002,201</u>
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 38,043	\$ 52,558	\$ -	\$ 90,601
Total capital assets, not being depreciated	<u>38,043</u>	<u>52,558</u>	<u>-</u>	<u>90,601</u>
Capital assets, being depreciated:				
Land improvements	37,387	-	-	37,387
Equipment	-	11,200	-	11,200
Total capital assets, being depreciated	<u>37,387</u>	<u>11,200</u>	<u>-</u>	<u>48,587</u>
Accumulated depreciation:				
Land improvements	8,597	3,739	-	12,336
Equipment	-	800	-	800
Total accumulated depreciation	<u>8,597</u>	<u>4,539</u>	<u>-</u>	<u>13,136</u>
Total capital assets, being depreciated, net	<u>28,790</u>	<u>6,661</u>	<u>-</u>	<u>35,451</u>
Stormwater management fund capital assets, net	<u>\$ 66,833</u>	<u>\$ 59,219</u>	<u>\$ -</u>	<u>\$ 126,052</u>
Business-type activities capital assets, net	<u>\$ 52,567,505</u>	<u>\$ 22,332,904</u>	<u>\$ 19,722,040</u>	<u>\$ 55,178,369</u>

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

Governmental activities:	
General government	\$ 217,568
Environment and development	2,545,709
Public safety	298,144
Leisure activities	1,079,730
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,132,619
Total depreciation expense - governmental activities	<u>\$ 5,273,770</u>
Business-type activities:	
Transit	\$ 3,257,405
Parking facilities	385,737
Housing Operating	656,996
Stormwater Management	4,539
Total depreciation expense - business-type activities	<u>\$ 4,304,677</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2009, follows:

	July 1, 2008	Increases	Decreases	Transfers	June 30, 2009
Capital assets, not being depreciated:					
Land	\$ 19,994,878	\$ 1,550	\$ -	\$ -	\$ 19,996,428
Construction in progress	67,263,987	11,892,551	-	(55,999,185)	23,157,353
Total capital assets, not being depreciated	<u>87,258,865</u>	<u>11,892,551</u>	<u>-</u>	<u>(55,999,185)</u>	<u>43,153,781</u>
Capital assets, being depreciated:					
Water treatment and distribution	133,193,210	3,911,946	-	(1,745,683)	135,359,473
Sewer collection and treatment	107,962,214	2,669,515	-	54,220,044	164,851,773
Fixtures and equipment	36,638,622	53,996	44,319	3,524,824	40,173,123
Total capital assets, being depreciated	<u>277,794,046</u>	<u>6,635,457</u>	<u>44,319</u>	<u>55,999,185</u>	<u>340,384,369</u>
Less accumulated depreciation for:					
Water treatment and distribution	33,686,193	3,141,296	-	-	36,827,489
Sewer collection and treatment	30,815,449	3,635,168	-	-	34,450,617
Fixtures and equipment	19,162,298	1,989,459	41,508	-	21,110,249
Total accumulated depreciation	<u>83,663,940</u>	<u>8,765,923</u>	<u>41,508</u>	<u>-</u>	<u>92,388,355</u>
Total capital assets, being depreciated, net	<u>194,130,106</u>	<u>(2,130,466)</u>	<u>2,811</u>	<u>55,999,185</u>	<u>247,996,014</u>
Total capital assets, net	<u>\$ 281,388,971</u>	<u>\$ 9,762,085</u>	<u>\$ 2,811</u>	<u>\$ -</u>	<u>\$ 291,149,795</u>

**F. 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	\$ 5,446,131	\$ 293,705
Accrued payroll and payroll related liabilities	1,761,334	566,626
Deposits	76,647	-
Other accrued liabilities	47,837	-
	<u>\$ 7,331,949</u>	<u>\$ 860,331</u>

**G. Long-Term Debt**

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2009 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%	\$ 600,000
\$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%	2,200,000
\$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%	3,000,000
\$3,365,000 - 2002 refunding serial bonds payable in annual installments of \$230,000 to \$815,000 through 2010; interest at 3% to 4%	540,000
\$4,250,000 - 2003 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2021; interest at 2% to 4%	3,425,000
\$4,000,000 - 2004 serial bonds payable in annual installments of \$200,000 through 2025; interest at 2.5% to 4.5%	3,200,000
\$4,950,000 - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	4,450,000
Total general obligation bonds	<u>\$ 17,415,000</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	\$ 3,365,000
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	<u>3,990,887</u>
Total installment notes payables	<u>\$ 7,355,887</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>\$ 21,770,000</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>\$ 5,165,000</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:

Year Ending June 30,	Principal	Interest	Total
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	1,550,000	458,538	2,008,538
2015-2019	5,550,000	1,445,890	6,995,890
2020-2024	2,675,000	500,114	3,175,114
2025-2027	900,000	66,244	966,244
	<u>\$ 17,415,000</u>	<u>\$ 5,005,938</u>	<u>\$ 22,420,938</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>
2010	\$ 1,456,022	\$ 237,598	\$ 1,693,620
2011	1,422,468	188,928	1,611,396
2012	1,324,666	140,928	1,465,594
2013	1,135,617	96,846	1,232,463
2014	896,763	60,321	957,084
2015-2017	1,120,351	61,074	1,181,425
	<u>\$ 7,355,887</u>	<u>\$ 785,695</u>	<u>\$ 8,141,582</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>
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	1,360,000	799,725	2,159,725
2015-2019	6,800,000	2,996,675	9,796,675
2020-2024	6,800,000	1,302,200	8,102,200
2025	1,360,000	57,799	1,417,799
	<u>\$ 21,770,000</u>	<u>\$ 8,956,250</u>	<u>\$ 30,726,250</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>
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	315,000	145,688	460,688
2015-2019	1,785,000	541,033	2,326,033
2020-2024	1,915,000	181,853	2,096,853
	<u>\$ 5,165,000</u>	<u>\$ 1,560,845</u>	<u>\$ 6,725,845</u>

Long-term debt activity for the year ended June 30, 2009 was as follows:

	July 1, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 19,515,000	\$ -	\$ 2,100,000	\$ 17,415,000	\$ 2,090,000
Certificates of participation	23,135,000	-	1,365,000	21,770,000	1,365,000
Installment notes payable	9,080,308	-	1,724,421	7,355,887	1,456,022
Orange County loan payable	123,146	-	-	123,146	-
Separation allowance	323,106	-	42,495	280,611	-
Compensated absences - governmental activities	2,044,960	1,778,634	1,651,994	2,171,600	1,651,994
Compensated absences - internal service funds	30,566	15,868	26,474	19,960	19,960
Other postemployment benefits	-	1,453,041	-	1,453,041	-
Other postemployment benefits - internal service funds	-	30,932	-	30,932	-
Long-term debt	<u>\$ 54,252,086</u>	<u>\$ 3,278,475</u>	<u>\$ 6,910,384</u>	<u>\$ 50,620,177</u>	<u>\$ 6,582,976</u>
<b>Business-type activities:</b>					
Certificates of participation	\$ 5,430,000	\$ -	\$ 265,000	\$ 5,165,000	\$ 270,000
Compensated absences	580,120	616,805	545,744	651,181	545,744
Other postemployment benefits	-	820,816	-	820,816	-
Long-term debt	<u>\$ 6,010,120</u>	<u>\$ 1,437,621</u>	<u>\$ 810,744</u>	<u>6,636,997</u>	<u>815,744</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, 2009, the legal debt margin for the Town was approximately \$466 million.

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

OWASA's long-term debt as of June 30, 2009 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 \$570,987 at June 30, 2009;	
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	\$ 22,300,988

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 \$189,190 at June 30, 2009	18,485,810
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 \$505,794 at June 30, 2009; Revenue bonds payable, Series 2004B Revenue Bonds in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.32% at June 30, 2009), final maturity July 2029	38,535,794
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 \$365,701 at June 30, 2009	7,054,299
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 \$50,500 at June 30, 2009	19,530,500
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 \$3,841 at June 30, 2009	708,841
	<hr/> 106,616,232 <hr/>
Less current maturities:	
Bonds payable, net of unamortized premiums and discounts and deferred refunding gains and losses	4,840,566
Long-term portion	<hr/> \$ 101,775,666 <hr/>



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	\$	67,521
Less current maturities:		15,504
Long-term portion	\$	52,017
<b>Total long-term debt</b>	<b>\$</b>	<b>101,827,683</b>

OWASA debt maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding Losses	Total	Interest
2010	\$ 4,835,000	\$ (5,566)	\$ 4,840,566	\$ 4,607,326
2011	5,230,000	(1,726)	5,231,726	4,424,113
2012	5,450,000	(1,726)	5,451,726	4,205,413
2013	5,510,000	(1,726)	5,511,726	3,967,338
2014	5,295,000	(1,726)	5,296,726	3,741,076
2015-2019	25,830,000	(165,354)	25,995,354	15,167,577
2020-2024	23,515,000	(207,767)	23,722,767	9,331,739
2025-2029	23,480,000	(138,213)	23,618,213	3,988,113
2030-2034	6,895,000	(52,428)	6,947,428	386,550
<b>Total</b>	<b>\$ 106,040,000</b>	<b>\$ (576,232)</b>	<b>\$ 106,616,232</b>	<b>\$ 49,819,245</b>

Capital lease maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2010	\$ 15,504	\$ 8,760	\$ 24,264
2011	17,858	6,406	24,264
2012	20,662	3,602	24,264
2013	13,497	658	14,155
	<b>\$ 67,521</b>	<b>\$ 19,426</b>	<b>\$ 86,947</b>

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, 2009 was \$950,000.

OWASA's long-term debt activity for the year ended June 30, 2009 is as follows:

	July 1, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 110,880,000	\$ -	\$ 4,840,000	\$ 106,040,000	\$ 4,835,000
Less deferred amounts:					
For issuance premiums	2,417,612	-	190,138	2,227,474	190,138
For issuance discounts and deferred refunding	(1,835,813)	-	(184,571)	(1,651,242)	(184,572)
Capital Lease	80,991	-	13,470	67,521	15,504
<b>Total bonds payable</b>	<b>\$ 111,542,790</b>	<b>\$ -</b>	<b>\$ 4,859,037</b>	<b>\$ 106,683,753</b>	<b>\$ 4,856,070</b>

## H. Interfund Receivables, Payables and Transfers

*Interfund receivables and payables.* At June 30, 2009, the statements of the Town include a net of balances due to/from other funds in the amount of \$657,706 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	140,679
General fund	Housing operations fund	29,376
General fund	Nonmajor governmental fund	326,070
Transit fund	Transit capital grant fund	161,581
		<u>\$ 657,706</u>

*Interfund transfers.* A schedule of interfund transfers for the year ended June 30, 2009 is as follows:

Transfers To	Transfers From	Amount
General fund	Parking facility fund	\$ 170,964
Transit capital grant fund	Transit fund	643,167
Capital project ordinance fund	Stormwater management fund	127,314
Nonmajor governmental fund	Transit fund	8,300
Internal service funds	General fund	(162,668)
Stormwater management fund	General fund	(5,251)
	Transfers to Governmental funds	<u>781,826</u>
Proprietary funds:		
Nonmajor governmental fund	Transit fund	(8,300)
Transit capital grant fund	Transit fund	(643,167)
General fund	Parking facility fund	\$ (170,964)
Capital project ordinance fund	Stormwater management fund	(127,314)
Stormwater management fund	General fund	5,251
	Subtotal transfers from Business-type	<u>(944,494)</u>
Internal service funds	General fund	162,668
	Total transfers from Proprietary funds	<u>(781,826)</u>

The Town uses transfers to move funds between various programs that must be accounted for in other funds in accordance with budgetary authorization, including amounts to provide matching funds for grants. Each year, the Parking fund transfers to the General fund all revenues over expenditures generated by on-street parking, a total of \$170,964 in fiscal 2009. The Transit fund makes a transfer each year for the required matches to Federal and State capital grants, which totaled \$643,167 in FY09. The Stormwater Management fund transferred \$127,314 in matching funds for an EPA Grant to the Capital Projects Ordinance fund. The Transit Fund transferred \$8,300 to the Grants fund for local matching requirements for operating grants.

The transfer of \$5,251 from the General fund to the Stormwater Management is a reimbursement of a fee exemption. The General fund transferred \$25,314 to the Vehicle Maintenance fund and \$137,354 to the Vehicle Replacement Fund to assist in the year's operations of these funds.

## **I. Employees' Retirement System**

### **I. 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, 2009, 2008, and 2007 were \$1,567,152, \$1,508,515 and \$1,435,333 respectively. OWASA's contributions to LGERS for the years ended June 30, 2009, 2008, and 2007 were \$333,736, \$341,694 and \$332,113, 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, 2008, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	21
Active Plan members	<u>118</u>
 TOTAL	 <u>139</u>

A separate report was not issued for the plan.

*Summary of Significant Accounting Policies:*

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions:* The Town is required by Article 12D of N.C.G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through annual appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There is no contribution made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of between 4.5% - 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percent of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

*Annual Pension Cost and Net Pension Obligation:* The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

a	Employer annual required contribution	\$	245,319
b	Interest on net pension obligation		23,425
c	Adjustment to annual required contribution		(19,754)
d	Annual pension cost	\$	<u>248,990</u>
e	Employer contributions made for fiscal year ended 6/30/08		291,485
f	Increase in net pension obligation (d) – (e)	\$	<u>(42,495)</u>
g	Net pension obligation, beginning of fiscal year		323,106
h	Net pension obligation, end of fiscal year (f) + (g)	\$	<u>280,611</u>

#### Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2007	230,425	113.54%	368,676
6/30/2008	246,278	118.50%	323,106
6/30/2009	248,990	117.07%	280,611

*Funded Status and Funding Progress:* As of December 31, 2008, 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 \$2,680,650. The covered payroll (annual payroll of active employees covered by the plan) was \$5,922,981, and the ratio of the UAAL to the covered payroll was 45.26 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, 2009 were \$498,583, which consisted of \$308,737 from the Town and \$189,846 from law enforcement officers.

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

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

*Funding Policy:* The Town contributes five percent of each employee’s qualified salary (excluding law enforcement officers) and all amounts are vested immediately. Employees may also make voluntary contributions. The Town Council has the authority to establish and amend contribution requirements. Contributions for the year ended June 30, 2009 were \$2,069,051, which consisted of \$1,340,061 from the Town and \$728,990 from employees.

**J. Other Post-Employment Benefits**

*Plan Description.* In addition to providing pension benefits, by ordinance of the Town Council 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. A separate report was not issued for the plan.

Membership of the post employment health benefit plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	164
Active members	743
	907

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

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

Retirees may also purchase dependent care coverage at the Town's group rate. For the fiscal year ended June 30, 2009, the Town made payments for post-retirement health benefit premiums of \$737,748 and the retirees made payments of \$205,035 for dependent care and for the employee's share of coverage according to the schedule above. The Town's obligation to contribute to the health benefit plan is established and may be amended by the Town Council.

The Town has chosen to fund the healthcare benefits on a pay as you go basis. The current annual required contribution rate (ARC) is 9.46% of annual covered payroll. For fiscal year 2009, the Town contributed \$737,748 or 2.2% of annual covered payroll.

*Summary of significant accounting policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting, and from the Vehicle Maintenance, Parking, Transit, Stormwater Management and Public Housing Funds, which are maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB cost and net OPEB obligation.* The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 3,042,537
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>3,042,537</u>
Contributions made	<u>737,748</u>
Increase in net OPEB obligation	2,304,789
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u>\$ 2,304,789</u>

*Funding status and funding progress.* As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$32,451,498. The covered payroll (annual payroll of active employees covered by the plan) was \$32,174,140, and the ratio of the UAAL to the covered payroll was 100.9%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial

value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial methods and assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.75% and (b) a 10.50% - 5.00% medical cost trend rate with 2016 the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

#### **L. Other Employment Benefits**

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

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

For the fiscal year ended June 30, 2009, the Town made contributions to the State for death benefits of \$34,415. 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, 2009 for the following:

## Commitments &amp; Contingencies

Library expansion	\$	955,695
Downtown Initiative		584,578
Bolin Creek		537,087
Public Housing renovations		411,943
Stormwater projects		389,549
Miscellaneous Parks Projects		372,486
Traffic projects		250,537
Other		641,712
	<u>\$</u>	<u>4,143,587</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 \$2,135,963 at June 30, 2009.

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, 2009 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, 2009 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 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.

**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)
12/31/2003	-	2,162,511	2,162,511	-	4,364,190	49.55%
12/31/2004	-	2,281,109	2,281,109	-	4,604,127	49.54%
12/31/2005	-	2,335,038	2,335,038	-	5,197,878	44.92%
12/31/2006	-	2,596,862	2,596,862	-	5,332,846	48.70%
12/31/2007	-	2,575,455	2,575,455	-	5,533,957	46.54%
12/31/2008	-	2,680,650	2,680,650	-	5,922,981	45.26%

**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
2004	197,234	92.78
2005	206,295	109.71
2006	220,451	108.88
2007	224,981	116.28
2008	242,203	120.50
2009	245,319	118.82

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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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization method	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5 - 12.3%
* Includes inflation at	3.75%
Cost of living adjustments	N/A

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

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ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY PROJECTED UNIT CREDIT (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
12/31/2008	-	32,451,498	32,451,498	-	32,174,140	100.86%

**OTHER POSTEMPLOYMENT BENEFITS  
SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION**

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Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	3,042,537	24.25%

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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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization method	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate*	10.50 - 5.00%
Year of ultimate trend rate	2016
* 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, 2009 (With Comparative Totals as of June 30, 2008)

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2009	2008
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,220,077	\$ 1,994,568	\$ 1,043,368	\$ 4,258,013	\$ 4,006,140
Receivables:					
Governmental units and agencies	915,774	-	-	915,774	522,495
Other	-	-	-	-	30,434
Due from other funds	-	-	-	-	-
Inventories	16,538	-	-	16,538	16,538
Restricted cash and cash equivalents	-	212,957	-	212,957	211,388
<b>TOTAL ASSETS</b>	<b>\$ 2,152,389</b>	<b>\$ 2,207,525</b>	<b>\$ 1,043,368</b>	<b>\$ 5,403,282</b>	<b>\$ 4,786,995</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 326,070	\$ -	\$ -	\$ 326,070	\$ 96,741
Accounts payable	535,406	184,756	-	720,162	308,515
Accrued liabilities	63,932	-	-	63,932	59,324
Deferred revenue	-	-	-	-	111,199
Unearned revenue	23,055	37,600	193	60,848	60,945
Security deposit	13,721	-	-	13,721	9,525
<b>Total liabilities</b>	<b>962,184</b>	<b>222,356</b>	<b>193</b>	<b>1,184,733</b>	<b>646,249</b>
<b>FUND BALANCES</b>					
Reserved for encumbrances	-	373,427	-	373,427	408,663
Reserved by State statute	325,537	-	-	325,537	272,580
Reserved for capital improvements	-	266,573	-	266,573	322,139
Reserved for inventories	16,538	-	-	16,538	16,538
Reserved for debt service	-	-	1,043,175	1,043,175	647,527
Reserved for community development	97,566	-	-	97,566	97,566
Reserved for interest subsidies	-	-	-	-	-
Reserved for land in trust	30,190	-	-	30,190	29,970
Reserved for aid to library operations	339,369	-	-	339,369	378,726
Unreserved					
Designated for subsequent year's expenditures	117,071	-	-	117,071	197,386
Undesignated	263,934	1,345,169	-	1,609,103	1,769,651
<b>Total fund balances</b>	<b>1,190,205</b>	<b>1,985,169</b>	<b>1,043,175</b>	<b>4,218,549</b>	<b>4,140,746</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,152,389</b>	<b>\$ 2,207,525</b>	<b>\$ 1,043,368</b>	<b>\$ 5,403,282</b>	<b>\$ 4,786,995</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 2009**

	<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	\$ 63,225	\$ 25,116	\$ 559,823	\$ -	\$ 100,242
Receivables:					
Governmental units and agencies	425,022	-	-	165,215	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 488,247</u></b>	<b><u>\$ 25,116</u></b>	<b><u>\$ 559,823</u></b>	<b><u>\$ 165,215</u></b>	<b><u>\$ 100,242</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 63,265	\$ -	\$ -	\$ 16,719	\$ -
Accounts payable	424,982	9,783	46,477	46,393	-
Accrued liabilities	-	-	-	4,537	1,983
Unearned revenue	-	-	-	-	-
Security deposit	-	13,721	-	-	-
Total liabilities	<u>488,247</u>	<u>23,504</u>	<u>46,477</u>	<u>67,649</u>	<u>1,983</u>
<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	-	-	-	-	51,561
Undesignated	-	1,612	513,346	-	46,698
Total fund balances	<u>-</u>	<u>1,612</u>	<u>513,346</u>	<u>97,566</u>	<u>98,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 488,247</u></b>	<b><u>\$ 25,116</u></b>	<b><u>\$ 559,823</u></b>	<b><u>\$ 165,215</u></b>	<b><u>\$ 100,242</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>
\$ 19,183	\$ 39,999	\$ 30,190	\$ 42,930	\$ 339,369	\$ 1,220,077
-	325,537	-	-	-	915,774
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,538	-	-	16,538
<u>\$ 19,183</u>	<u>\$ 365,536</u>	<u>\$ 46,728</u>	<u>\$ 42,930</u>	<u>\$ 339,369</u>	<u>\$ 2,152,389</u>
\$ -	\$ 246,086	\$ -	\$ -	\$ -	\$ 326,070
-	7,771	-	-	-	535,406
-	57,412	-	-	-	63,932
-	23,055	-	-	-	23,055
-	-	-	-	-	13,721
-	334,324	-	-	-	962,184
-	325,537	-	-	-	325,537
-	-	-	-	-	97,566
-	-	16,538	-	-	16,538
-	-	30,190	-	-	30,190
-	-	-	-	339,369	339,369
-	-	-	65,510	-	117,071
19,183	(294,325)	-	(22,580)	-	263,934
<u>19,183</u>	<u>31,212</u>	<u>46,728</u>	<u>42,930</u>	<u>339,369</u>	<u>1,190,205</u>
<u>\$ 19,183</u>	<u>\$ 365,536</u>	<u>\$ 46,728</u>	<u>\$ 42,930</u>	<u>\$ 339,369</u>	<u>\$ 2,152,389</u>

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)

	Capital Projects	Capital Reserve	Comparative Totals	
			2009	2008
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,994,568	\$ -	\$ 1,994,568	\$ 1,992,264
Restricted cash and cash equivalents	-	212,957	212,957	211,388
<b>TOTAL ASSETS</b>	<b>\$ 1,994,568</b>	<b>\$ 212,957</b>	<b>\$ 2,207,525</b>	<b>\$ 2,203,652</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 184,756	\$ -	\$ 184,756	\$ 85,964
Accrued liabilities	-	-	-	34
Unearned revenue	37,600	-	37,600	28,455
Total liabilities	222,356	-	222,356	114,453
<b>FUND BALANCES</b>				
Reserved for encumbrances	373,427	-	373,427	408,663
Reserved for capital improvements	53,616	212,957	266,573	322,139
Unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated	1,345,169	-	1,345,169	1,358,397
Total fund balances	1,772,212	212,957	1,985,169	2,089,199
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,994,568</b>	<b>\$ 212,957</b>	<b>\$ 2,207,525</b>	<b>\$ 2,203,652</b>

## OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2009	2008
<b>REVENUES</b>					
Taxes	160,921	-	6,353,984	6,514,905	162,129
Intergovernmental revenues					
Federal government	2,692,837	-	-	2,692,837	1,941,124
State government	24,624	61,393	-	86,017	363,483
Other	152,887	-	-	152,887	126,019
Interest on investments	9,023	13,556	11,249	33,828	63,687
Franchise rental fees	-	61,246	-	61,246	73,068
Program income	12,741	-	-	12,741	713,823
Cable Public Access Reserves	93,582	-	-	93,582	122,621
Charges for services	-	14,950	-	14,950	13,800
Donations	85,485	-	-	85,485	99,380
Revenue in lieu	145,000	53,616	-	198,616	110,751
Other	32,431	11,826	-	44,257	25,030
<b>Total revenues</b>	<b>3,409,531</b>	<b>216,587</b>	<b>6,365,233</b>	<b>9,991,351</b>	<b>3,814,915</b>
<b>EXPENDITURES</b>					
Environment and development	2,866,077	-	-	2,866,077	2,405,906
Public safety	692,604	-	-	692,604	724,344
Leisure activities	152,720	-	-	152,720	179,225
Capital projects	-	1,460,617	-	1,460,617	1,250,400
Debt service:					
Principal	-	-	4,000,000	4,000,000	4,015,000
Interest and fiscal charges	-	-	1,969,585	1,969,585	2,210,521
<b>Total expenditures</b>	<b>3,711,401</b>	<b>1,460,617</b>	<b>5,969,585</b>	<b>11,141,603</b>	<b>10,785,396</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(301,870)</b>	<b>(1,244,030)</b>	<b>395,648</b>	<b>(1,150,252)</b>	<b>(6,970,481)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds	290,297	1,140,000	-	1,430,297	7,070,231
Transfer to other funds	(202,242)	-	-	(202,242)	(449,829)
<b>Total other financing sources (uses)</b>	<b>88,055</b>	<b>1,140,000</b>	<b>-</b>	<b>1,228,055</b>	<b>6,620,402</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>(213,815)</b>	<b>(104,030)</b>	<b>395,648</b>	<b>77,803</b>	<b>(350,079)</b>
<b>FUND BALANCES, BEGINNING</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>
<b>FUND BALANCES, ENDING</b>	<b>\$ 1,190,205</b>	<b>\$ 1,985,169</b>	<b>\$ 1,043,175</b>	<b>\$ 4,218,549</b>	<b>\$ 4,140,746</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, 2009**

	<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	\$ -	\$ -	\$ -	\$ -	\$ 160,921
Intergovernmental revenues					
Federal government	1,546,701	-	-	669,888	-
State government	-	-	-	-	-
Other	-	-	-	-	-
Interest on investments	-	124	3,655	-	1,284
Program income	-	5,402	-	7,339	-
Cable Public Access Reserves	-	-	-	-	-
Revenue in lieu	-	-	145,000	-	-
Donations	-	-	-	-	-
Other	6,308	150	-	-	-
<b>Total revenues</b>	<b>1,553,009</b>	<b>5,676</b>	<b>148,655</b>	<b>677,227</b>	<b>162,205</b>
<b>EXPENDITURES</b>					
Environment and development	1,553,009	5,013	162,209	677,227	162,337
Public safety	-	-	-	-	-
Leisure activities	-	-	-	-	-
<b>Total expenditures</b>	<b>1,553,009</b>	<b>5,013</b>	<b>162,209</b>	<b>677,227</b>	<b>162,337</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>663</b>	<b>(13,554)</b>	<b>-</b>	<b>(132)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>-</b>	<b>663</b>	<b>(13,554)</b>	<b>-</b>	<b>(132)</b>
<b>FUND BALANCES, BEGINNING</b>	<b>-</b>	<b>949</b>	<b>526,900</b>	<b>97,566</b>	<b>98,391</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ -</b>	<b>\$ 1,612</b>	<b>\$ 513,346</b>	<b>\$ 97,566</b>	<b>\$ 98,259</b>

Schedule 5

Cable Public Access	Grants Fund	Land Trust Fund	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,921
-	476,248	-	-	-	2,692,837
-	24,624	-	-	-	24,624
-	152,887	-	-	-	152,887
152	-	220	731	2,857	9,023
-	-	-	-	-	12,741
93,582	-	-	-	-	93,582
-	-	-	-	-	145,000
-	-	-	-	85,485	85,485
-	25,973	-	-	-	32,431
93,734	679,732	220	731	88,342	3,409,531
-	229,337	-	76,945	-	2,866,077
-	692,604	-	-	-	692,604
93,582	55,439	-	-	3,699	152,720
93,582	977,380	-	76,945	3,699	3,711,401
152	(297,648)	220	(76,214)	84,643	(301,870)
-	290,297	-	-	-	290,297
-	-	-	(78,242)	(124,000)	(202,242)
-	290,297	-	(78,242)	(124,000)	88,055
152	(7,351)	220	(154,456)	(39,357)	(213,815)
19,031	38,563	46,508	197,386	378,726	1,404,020
\$ 19,183	\$ 31,212	\$ 46,728	\$ 42,930	\$ 339,369	\$ 1,190,205

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Capital	Capital	Comparative Totals	
	Projects	Reserve	2009	2008
<b>REVENUES</b>				
Interest on investments	\$ 11,987	\$ 1,569	\$ 13,556	\$ 29,466
Franchise rental fees	61,246	-	61,246	73,068
Intergovernmental revenues - state	61,393	-	61,393	60,389
Charges for services	14,950	-	14,950	13,800
Revenue in lieu	53,616	-	53,616	110,751
Other	11,826	-	11,826	-
Total revenues	<u>215,018</u>	<u>1,569</u>	<u>216,587</u>	<u>287,474</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	627,951	-	627,951	307,093
Street improvements and sidewalks	160,138	-	160,138	234,893
Parks, recreation and open space	616,224	-	616,224	1,385,256
Technology and communications	56,304	-	56,304	12,654
Total expenditures	<u>1,460,617</u>	<u>-</u>	<u>1,460,617</u>	<u>1,939,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,245,599)</u>	<u>1,569</u>	<u>(1,244,030)</u>	<u>(1,652,422)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	1,103,000	-	1,103,000	1,120,950
Transfer from Capital Projects Ordinance Fund	37,000	-	37,000	(90,000)
Total other financing sources	<u>1,140,000</u>	<u>-</u>	<u>1,140,000</u>	<u>1,030,950</u>
NET CHANGE IN TOTAL FUND BALANCES	(105,599)	1,569	(104,030)	(621,472)
FUND BALANCES, BEGINNING	<u>1,877,811</u>	<u>211,388</u>	<u>2,089,199</u>	<u>2,710,671</u>
FUND BALANCES, ENDING	<u>\$ 1,772,212</u>	<u>\$ 212,957</u>	<u>\$ 1,985,169</u>	<u>\$ 2,089,199</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, 2009 (With Comparative Totals as of June 30, 2008)**

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2009	2008
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 1,510,207	\$ 39,443	\$ 454,696	\$ 2,004,346	\$ 1,347,883
Accounts receivable	-	-	-	-	1,810
Prepaid expense	-	-	-	-	5,900
Inventories	-	158,018	-	158,018	155,851
Total current assets	1,510,207	197,461	454,696	2,162,364	1,511,444
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	784,230	-	-	784,230	1,937,456
Capital assets, net of depreciation	4,762,065	6,823	5,447	4,774,335	4,415,431
Total noncurrent assets	5,546,295	6,823	5,447	5,558,565	6,352,887
<b>TOTAL ASSETS</b>	<b>7,056,502</b>	<b>204,284</b>	<b>460,143</b>	<b>7,720,929</b>	<b>7,864,331</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	384,670	57,965	42,750	485,385	129,063
Accrued liabilities	-	28,954	-	28,954	26,343
Compensated absences	-	19,960	-	19,960	23,140
Installment purchase agreements	921,022	-	-	921,022	1,189,207
Total current liabilities	1,305,692	106,879	42,750	1,455,321	1,367,753
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	-	-	-	-	7,426
Other postemployment benefits	-	30,932	-	30,932	-
Installment purchase agreements	3,069,865	-	-	3,069,865	3,991,101
Total noncurrent liabilities	3,069,865	30,932	-	3,100,797	3,998,527
<b>TOTAL LIABILITIES</b>	<b>4,375,557</b>	<b>137,811</b>	<b>42,750</b>	<b>4,556,118</b>	<b>5,366,280</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	1,555,408	6,823	5,447	1,567,678	(764,877)
Restricted	-	-	-	-	1,937,456
Unrestricted	1,125,537	59,650	411,946	1,597,133	1,325,472
<b>TOTAL NET ASSETS</b>	<b>\$ 2,680,945</b>	<b>\$ 66,473</b>	<b>\$ 417,393</b>	<b>\$ 3,164,811</b>	<b>\$ 2,498,051</b>

## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)**

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2009	2008
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,639,243	\$ 968,989	\$ 150,084	\$ 2,758,316	\$ 2,440,294
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	1,128,447	1,993	2,179	1,132,619	1,008,181
Personnel	-	572,169	-	572,169	596,096
Operations	13,180	488,687	72,729	574,596	613,327
Total operating expenses	1,141,627	1,062,849	74,908	2,279,384	2,217,604
OPERATING INCOME (LOSS)	497,616	(93,860)	75,176	478,932	222,690
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Insurance recovery	-	7,157	-	7,157	-
Interest on investments	13,822	-	2,609	16,431	97,703
Interest expense	(160,793)	-	-	(160,793)	(156,864)
Gain on sale of capital assets	159,835	-	2,530	162,365	138,875
Total nonoperating revenues (expenses), net	12,864	7,157	5,139	25,160	79,714
CHANGE IN NET ASSETS BEFORE TRANSFERS	510,480	(86,703)	80,315	504,092	302,404
TRANSFERS	137,354	25,314	-	162,668	21,000
CHANGE IN NET ASSETS	647,834	(61,389)	80,315	666,760	323,404
NET ASSETS, BEGINNING	2,033,111	127,862	337,078	2,498,051	2,174,647
NET ASSETS, ENDING	\$ 2,680,945	\$ 66,473	\$ 417,393	\$ 3,164,811	\$ 2,498,051

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers	\$ 1,639,243	\$ 968,989	\$ 151,894	\$ 2,760,126	\$ 2,473,669
Payments to employees	-	(549,232)	-	(549,232)	(582,763)
Payments to suppliers	346,505	(530,931)	(30,115)	(214,541)	(1,792,556)
Net cash provided by (used in) operating activities	1,985,748	(111,174)	121,779	1,996,353	98,350
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers from other funds	137,354	25,314	-	162,668	21,000
Net cash provided by noncapital financing activities	137,354	25,314	-	162,668	21,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from installment purchase agreements	-	-	-	-	1,587,500
Principal paid on installment purchase agreements	(1,189,420)	-	-	(1,189,420)	(1,396,753)
Interest paid on installment purchase agreements	(160,793)	-	-	(160,793)	(156,864)
Proceeds from sale of capital assets	163,945	-	2,530	166,475	182,071
Proceeds from insurance recovery	-	7,157	-	7,157	-
Acquisition and construction of capital assets	(1,495,634)	-	-	(1,495,634)	(1,461,394)
Net cash provided by (used in) capital and related financing activities	(2,681,902)	7,157	2,530	(2,672,215)	(1,245,440)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest on investments	13,822	-	2,609	16,431	97,703
Net cash provided by investing activities	13,822	-	2,609	16,431	97,703

Continued

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009 (With Comparative Totals as of June 30, 2008)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2009	2008
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(544,978)	(78,703)	126,918	(496,763)	(1,028,387)
CASH AND INVESTMENTS, BEGINNING	2,839,415	118,146	327,778	3,285,339	4,313,726
CASH AND INVESTMENTS, ENDING	<u>\$ 2,294,437</u>	<u>\$ 39,443</u>	<u>\$ 454,696</u>	<u>\$ 2,788,576</u>	<u>\$ 3,285,339</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 497,616	\$ (93,860)	\$ 75,176	\$ 478,932	\$ 222,690
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,128,447	1,993	2,179	1,132,619	1,008,181
Changes in assets and liabilities:					
Receivables	-	-	1,810	1,810	33,375
Prepaid expenses	-	5,900	-	5,900	(5,900)
Inventories	-	(2,167)	-	(2,167)	6,475
Accounts payable	359,685	(45,977)	42,614	356,322	(1,179,804)
Accrued liabilities	-	(7,995)	-	(7,995)	13,333
Accrued OPEB liability	-	30,932	-	30,932	-
Net cash provided by operating activities	<u>\$ 1,985,748</u>	<u>\$ (111,174)</u>	<u>\$ 121,779</u>	<u>\$ 1,996,353</u>	<u>\$ 98,350</u>

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## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Ad valorem taxes - current year	\$ 24,620,000	\$ 24,620,000	\$ 24,474,595	\$ (145,405)
Ad valorem taxes - prior years	96,500	96,500	116,218	19,718
Interest on delinquent taxes	16,500	16,500	57,202	40,702
Local option sales taxes	9,623,000	9,623,000	9,033,512	(589,488)
Occupancy tax	935,000	935,000	891,857	(43,143)
Other taxes	149,000	149,000	112,700	(36,300)
Total taxes	35,440,000	35,440,000	34,686,084	(753,916)
Licenses and permits				
Motor vehicles	424,000	424,000	435,819	11,819
Privilege licenses	130,000	130,000	105,946	(24,054)
Building permits	498,800	498,800	892,891	394,091
Special use permits	205,800	205,800	91,180	(114,620)
Work zone traffic permits	58,000	58,000	124,500	66,500
Engineering permits	11,400	11,400	70,578	59,178
Fire inspection fees	4,000	4,000	2,950	(1,050)
Traffic impact study and fees	54,900	409,581	407,432	(2,149)
Police permits	30,000	30,000	46,751	16,751
Fire permits	-	-	22,375	22,375
Total licenses and permits	1,416,900	1,771,581	2,200,422	428,841
Fines and forfeitures				
Garbage citations and leash law fees	6,500	6,500	7,896	1,396
Parking tickets and towing fees	28,000	28,000	33,919	5,919
Total fines and forfeitures	34,500	34,500	41,815	7,315

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
US Geologic Survey Grant	-	-	7,838	7,838
Crime Control Grant	-	-	3,985	3,985
Total federal government	-	-	11,823	11,823
State of North Carolina				
Beer and wine tax	232,000	232,000	246,572	14,572
Fuel tax (Powell Bill) funds	1,500,000	1,500,000	1,502,645	2,645
Utility franchise tax	3,010,000	3,199,094	3,559,476	360,382
State fire protection	1,210,000	1,210,000	1,210,647	647
Solid waste disposal tax	-	-	25,552	25,552
Durham Tech contribution	2,132	2,132	-	(2,132)
State library aid	39,471	39,471	36,737	(2,734)
UNC contribution	-	93,113	93,113	-
Mosquito abatement grant	-	3,871	3,871	-
Total State of North Carolina	5,993,603	6,279,681	6,678,613	398,932
Other				
Orange County recreational support	83,760	83,760	83,700	(60)
Orange County library contribution	249,000	249,000	249,393	393
Carrboro contribution	-	-	6,800	6,800
Orange County contribution	-	-	-	-
Miscellaneous local grants	-	3,000	9,000	6,000
Total other	332,760	335,760	348,893	13,133
Total intergovernmental revenues	6,326,363	6,615,441	7,039,329	423,888

Continued



## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 150,000	\$ 150,000	\$ 144,239	\$ (5,761)
Street cuts and right of way	101,000	101,000	41,751	(59,249)
Traffic signals	275,748	275,748	270,919	(4,829)
Cemetery staking	3,800	3,800	4,515	715
Fire districts	755	755	996	241
Solid waste collection	388,000	388,000	400,623	12,623
Planning review	251,488	251,488	582,341	330,853
Recreation	391,840	391,840	609,107	217,267
Charges to other funds	1,133,567	1,133,567	1,128,839	(4,728)
	<u>2,696,198</u>	<u>2,696,198</u>	<u>3,183,330</u>	<u>487,132</u>
Total charges for services				
Interest on investments	200,000	200,000	115,925	(84,075)
	<u>200,000</u>	<u>200,000</u>	<u>115,925</u>	<u>(84,075)</u>
Other				
Sales - planning and documents	14,250	14,250	14,114	(136)
Sales - fixed assets	-	-	5,441	5,441
Sales - miscellaneous	3,900	3,900	5,179	1,279
Cemetery lot sales	90,000	90,000	67,755	(22,245)
Court fees	45,000	45,000	50,929	5,929
Mutual aid reimbursements	341,110	408,399	436,830	28,431
Gifts and donations	100,000	124,014	101,455	(22,559)
Revenue in lieu	-	-	10,900	10,900
Miscellaneous	-	27,273	90,966	63,693
	<u>594,260</u>	<u>712,836</u>	<u>783,569</u>	<u>70,733</u>
Total other revenues				
TOTAL REVENUES	<u>46,708,221</u>	<u>47,470,556</u>	<u>48,050,474</u>	<u>579,918</u>

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Mayor/Council	\$ 444,572	\$ 444,572	\$ 365,253	\$ 79,319
Manager/Clerk	1,737,425	1,984,373	1,764,299	220,074
Human Resources	875,446	891,419	728,373	163,046
Business Management	2,574,619	2,952,820	2,448,075	504,745
Attorney	295,591	298,984	268,344	30,640
Total general government	<u>5,927,653</u>	<u>6,572,168</u>	<u>5,574,344</u>	<u>997,824</u>
Environment and development				
Planning	1,355,536	1,423,702	1,169,496	254,206
Engineering	2,265,121	2,882,525	2,735,096	147,429
Public Works	9,666,328	10,004,749	9,055,980	948,769
Total environment and development	<u>13,286,985</u>	<u>14,310,976</u>	<u>12,960,572</u>	<u>1,350,404</u>
Public safety				
Police	12,073,399	12,206,165	11,482,831	723,334
Fire	7,081,622	7,117,716	6,511,479	606,237
Total public safety	<u>19,155,021</u>	<u>19,323,881</u>	<u>17,994,310</u>	<u>1,329,571</u>
Leisure activities				
Parks and recreation	5,550,595	5,692,799	5,011,558	681,241
Library	2,358,636	2,449,237	2,234,327	214,910
Total leisure activities	<u>7,909,231</u>	<u>8,142,036</u>	<u>7,245,885</u>	<u>896,151</u>
Nondepartmental				
Liability insurance	494,336	494,336	384,558	109,778
Supplemental PEG expense	-	298,756	353,732	(54,976)
Contributions to agencies	812,500	935,691	821,121	114,570
Contribution to OPEB liability	400,000	400,000	-	400,000
General government	201,549	304,932	138,841	166,091
Total nondepartmental	<u>1,908,385</u>	<u>2,433,715</u>	<u>1,698,252</u>	<u>735,463</u>
Total expenditures	<u>48,187,275</u>	<u>50,782,776</u>	<u>45,473,363</u>	<u>5,309,413</u>

Continued

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,479,054)	(3,312,220)	2,577,111	5,889,331
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	123,905	123,905	170,964	47,059
Transfer from Library Gift Fund	45,000	124,000	124,000	-
Transfer from Housing Loan Trust Fund	-	-	78,242	78,242
Transfer to Housing Fund	(176,000)	(176,000)	-	176,000
Transfer to Stormwater Fund	(4,000)	(6,000)	(5,251)	749
Transfer to Vehicle Maintenance Fund	-	(25,314)	(25,314)	-
Transfer to Capital Improvements Fund	(1,033,000)	(1,103,000)	(1,103,000)	-
Transfer to Vehicle Replacement Fund	-	-	(137,354)	(137,354)
Transfer to Grants Fund	(220,725)	(564,514)	(281,997)	282,517
Appropriated fund balance	2,743,874	4,939,143	-	(4,939,143)
Total other financing sources (uses)	1,479,054	3,312,220	(1,179,710)	(4,491,930)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,397,401	\$ 1,397,401
FUND BALANCE, BEGINNING			19,896,126	
FUND BALANCE, ENDING			\$ 21,293,527	

**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, 2009**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest on investments	\$ 1,218,338	\$ 2,878,879	\$ 111,272	\$ 2,990,151
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,171,563	-	-	-
Other Federal Grants	932,408	385,844	8,454	394,298
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	2,086,766	788,290	137,643	925,933
Parks and Recreation Trust Fund	500,000	450,000	50,000	500,000
Other State Grants	73,909	30,000	43,909	73,909
Orange County parks bonds	8,500,000	7,072,870	1,424,428	8,497,298
Other Grants	298,697	94,183	-	94,183
Charges for services	102,495	229,038	18,050	247,088
Donations	933,993	172,493	77,200	249,693
Revenue in lieu	66,580	105,068	2,000	107,068
Other	566,990	605,718	-	605,718
<b>Total revenues</b>	<b>16,864,604</b>	<b>13,281,113</b>	<b>1,872,956</b>	<b>15,154,069</b>
<b>EXPENDITURES</b>				
Parks, recreation, library and open space capital improvements	30,509,487	24,981,375	1,687,665	26,669,040
Public safety capital improvements	2,331,043	2,327,269	-	2,327,269
Public works facility	30,585,611	29,769,805	250,164	30,019,969
Municipal facilities	1,721,770	203,664	164,076	367,740
Sewer capital improvements	350,385	368,195	-	368,195
Street and sidewalk improvements	8,621,924	4,983,856	273,821	5,257,677
<b>Total expenditures</b>	<b>74,120,220</b>	<b>62,634,164</b>	<b>2,375,726</b>	<b>65,009,890</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(57,255,616)</b>	<b>(49,353,051)</b>	<b>(502,770)</b>	<b>(49,855,821)</b>

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, 2009**

	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	3,497,071	3,497,071	-	3,497,071
Transfer from Capital Projects Fund	562,719	562,719	-	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 from Stormwater Fund	127,314	-	127,314	127,314
Transfer to Capital Projects Fund	(62,404)	(25,404)	(37,000)	(62,404)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>57,255,616</u>	<u>56,826,691</u>	<u>90,314</u>	<u>56,917,005</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 7,473,640</u>	<u>\$ (412,456)</u>	<u>\$ 7,061,184</u>
FUND BALANCE, BEGINNING			<u>7,473,640</u>	
FUND BALANCE, ENDING			<u>\$ 7,061,184</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
TRANSIT GRANT PROJECTS ORDINANCE FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2009**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental revenue				
Federal government	\$ 25,898,112	\$ 13,750,479	\$ 4,796,940	\$ 18,547,419
State government	2,909,170	1,819,178	319,111	2,138,289
Other	482,764	182,424	4,741	187,165
	<u>29,290,046</u>	<u>15,752,081</u>	<u>5,120,792</u>	<u>20,872,873</u>
<b>EXPENDITURES</b>				
Construction costs	10,293,175	9,600,769	193,644	9,794,413
Equipment and improvements	19,923,530	6,604,590	5,197,141	11,801,731
Administration	2,342,107	1,471,214	373,174	1,844,388
	<u>32,558,812</u>	<u>17,676,573</u>	<u>5,763,959</u>	<u>23,440,532</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>(3,268,766)</u>	<u>(1,924,492)</u>	<u>(643,167)</u>	<u>(2,567,659)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	3,268,766	1,924,492	643,167	2,567,659
<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, 2009**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
<b>REVENUES</b>				
Intergovernmental revenues				
Capital Grant 2005	601,728	330,941	270,787	601,728
Capital Grant 2006	557,355	108,050	436,888	544,938
Capital Grant 2007	582,697	106,293	431,914	538,207
Capital Grant 2008	578,700	-	303,391	303,391
ARRA Grant 2009	732,519	-	-	-
ROSS Grant	248,240	54,428	103,721	158,149
Total federal government	3,301,239	599,712	1,546,701	2,146,413
Other revenues	15,111	-	6,308	6,308
Total revenues	3,316,350	599,712	1,553,009	2,152,721
<b>EXPENDITURES</b>				
Environment and development	3,316,350	599,712	1,553,009	2,152,721
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ -	\$ -

**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, 2009**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	-	580	124	704
Program income	35,464	33,393	5,402	38,795
Other	8,750	591	150	741
	<u>404,331</u>	<u>275,340</u>	<u>5,676</u>	<u>281,016</u>
<b>EXPENDITURES</b>				
Environment and development	<u>421,831</u>	<u>291,891</u>	<u>5,013</u>	<u>296,904</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(17,500)</u>	<u>(16,551)</u>	<u>663</u>	<u>(15,888)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 949</u>	<u>\$ 663</u>	<u>\$ 1,612</u>
<b>FUND BALANCE, BEGINNING</b>			<u>949</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 1,612</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, 2009**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Interest on investments	\$ 16,300	\$ 38,400	\$ 3,655	\$ 42,055
Revenue in lieu	633,500	428,500	145,000	573,500
Program income	514,799	514,800	-	514,800
	<u>1,164,599</u>	<u>981,700</u>	<u>148,655</u>	<u>1,130,355</u>
<b>EXPENDITURES</b>				
Environment and development	1,314,599	604,800	162,209	767,009
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(150,000)</u>	<u>376,900</u>	<u>(13,554)</u>	<u>363,346</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	150,000	150,000	-	150,000
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 526,900</u>	<u>\$ (13,554)</u>	<u>\$ 513,346</u>
<b>FUND BALANCE, BEGINNING</b>			<u>526,900</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 513,346</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, 2009**

	<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	\$ 4,911,898	\$ 3,893,006	\$ 669,888	\$ 4,562,894
Program income	167,153	178,275	7,339	185,614
Total revenues	<u>5,079,051</u>	<u>4,071,281</u>	<u>677,227</u>	<u>4,748,508</u>
<b>EXPENDITURES</b>				
Public improvement	1,586,987	1,256,277	325,735	1,582,012
Neighborhood revitalization	2,028,963	1,448,810	173,246	1,622,056
Homeownership opportunities	147,000	147,000	-	147,000
Administration	841,633	725,791	107,070	832,861
Community services	474,468	395,837	71,176	467,013
Total expenditures	<u>5,079,051</u>	<u>3,973,715</u>	<u>677,227</u>	<u>4,650,942</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, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 160,000	\$ 160,000	\$ 160,921	\$ 921
Donations	-	20,000	-	(20,000)
Interest on investments	-	-	1,284	1,284
Total revenues	<u>160,000</u>	<u>180,000</u>	<u>162,205</u>	<u>(17,795)</u>
<b>EXPENDITURES</b>				
Environment and development	<u>160,000</u>	<u>200,000</u>	<u>162,337</u>	<u>37,663</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>-</u>	<u>(20,000)</u>	<u>(132)</u>	<u>19,868</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(132)</u>	<u>\$ (132)</u>
<b>FUND BALANCE, BEGINNING</b>			<u>98,391</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 98,259</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CABLE PUBLIC ACCESS FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 152	\$ 152
Cable Public Access Reserves	<u>120,000</u>	<u>120,000</u>	<u>93,582</u>	<u>(26,418)</u>
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>93,734</u>	<u>(26,266)</u>
EXPENDITURES				
Leisure activities	<u>120,000</u>	<u>120,000</u>	<u>93,582</u>	<u>26,418</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	152	<u>\$ 152</u>
FUND BALANCE, BEGINNING			<u>19,031</u>	
FUND BALANCE, ENDING			<u>\$ 19,183</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GRANTS FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues				
Federal Government	322,920	951,162	476,248	(474,914)
State Government	-	49,991	24,624	(25,367)
Other	-	181,878	152,887	(28,991)
Other	-	29,505	25,973	(3,532)
Total revenues	<u>322,920</u>	<u>1,212,536</u>	<u>679,732</u>	<u>(532,804)</u>
<b>EXPENDITURES</b>				
Environment and development	-	556,471	229,337	327,134
Public safety	543,645	1,217,752	692,604	525,148
Leisure activities	-	87,682	55,439	32,243
Total expenditures	<u>543,645</u>	<u>1,861,905</u>	<u>977,380</u>	<u>884,525</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(220,725)</u>	<u>(649,369)</u>	<u>(297,648)</u>	<u>351,721</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	220,725	602,596	290,297	(312,299)
Appropriated fund balance	-	46,773	-	(46,773)
Total other financing sources (uses)	<u>220,725</u>	<u>649,369</u>	<u>290,297</u>	<u>(359,072)</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(7,351)</u>	<u>\$ (7,351)</u>
<b>FUND BALANCE, BEGINNING</b>			<u>38,563</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 31,212</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, 2009**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,333	220	1,553
Program income	-	249,390	-	249,390
	231,250	481,381	220	481,601
EXPENDITURES				
Environment and development	231,250	434,873	-	434,873
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 46,508	\$ 220	\$ 46,728
FUND BALANCE, BEGINNING			46,508	
FUND BALANCE, ENDING			\$ 46,728	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - HOUSING LOAN TRUST FUND  
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 4,000	\$ 4,000	\$ 731	\$ (3,269)
Total revenues	4,000	4,000	731	(3,269)
<b>EXPENDITURES</b>				
Environment and development	201,386	201,386	76,945	124,441
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(197,386)	(197,386)	(76,214)	121,172
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	(78,242)	(78,242)
Appropriated Fund Balance	197,386	197,386	-	(197,386)
Total other financing sources (uses)	197,386	197,386	(78,242)	(275,628)
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(154,456)</b>	<b>\$ (154,456)</b>
<b>FUND BALANCE, BEGINNING</b>			<b>197,386</b>	
<b>FUND BALANCE, ENDING</b>			<b>\$ 42,930</b>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - LIBRARY GIFT FUND  
 YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 2,857	\$ 2,857
Library donations	126,000	169,000	85,485	(83,515)
Total revenues	126,000	169,000	88,342	(80,658)
<b>EXPENDITURES</b>				
Leisure activities	-	20,407	3,699	16,708
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	126,000	148,593	84,643	(63,950)
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriated fund balance	-	56,407	-	(56,407)
Contribution to reserve	(81,000)	(81,000)	-	81,000
Transfer to other funds	(45,000)	(124,000)	(124,000)	-
Total other financing sources (uses)	(126,000)	(148,593)	(124,000)	24,593
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(39,357)</b>	<b>\$ (39,357)</b>
<b>FUND BALANCE, BEGINNING</b>			<b>378,726</b>	
<b>FUND BALANCE, ENDING</b>			<b>\$ 339,369</b>	



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 11,987	\$ 11,987
Franchise rental fees	60,000	60,000	61,246	1,246
Intergovernmental revenues - state	-	-	61,393	61,393
Charges for services	14,000	14,000	14,950	950
Revenue in lieu	-	53,616	53,616	-
Other	-	11,826	11,826	-
Total revenues	<u>74,000</u>	<u>139,442</u>	<u>215,018</u>	<u>75,576</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	256,000	1,170,466	627,951	542,515
Street improvements and sidewalks	100,000	386,766	160,138	226,628
Parks, recreation and open space	524,000	916,956	616,224	300,732
Technology and communications	227,000	264,346	56,304	208,042
Total expenditures	<u>1,107,000</u>	<u>2,738,534</u>	<u>1,460,617</u>	<u>1,277,917</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,033,000)</u>	<u>(2,599,092)</u>	<u>(1,245,599)</u>	<u>1,353,493</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	1,033,000	1,103,000	1,103,000	-
Transfer from Capital Projects Ordinance Fund	-	37,000	37,000	-
Appropriated fund balance	-	1,459,092	-	(1,459,092)
Total other financing sources	<u>1,033,000</u>	<u>2,599,092</u>	<u>1,140,000</u>	<u>(1,459,092)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(105,599)</u>	<u>\$ (105,599)</u>
FUND BALANCES, BEGINNING			<u>1,877,811</u>	
FUND BALANCES, ENDING			<u>\$ 1,772,212</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL RESERVE FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 1,569	\$ 1,569
Total revenues	-	-	1,569	1,569
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,569	<u>\$ 1,569</u>
FUND BALANCE, BEGINNING			<u>211,388</u>	
FUND BALANCE, ENDING			<u>\$ 212,957</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes - current year	\$ 6,400,000	\$ 6,400,000	\$ 6,353,984	\$ (46,016)
Interest on investments	-	-	11,249	11,249
Total revenues	<u>6,400,000</u>	<u>6,400,000</u>	<u>6,365,233</u>	<u>(34,767)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	4,000,000	4,000,000	4,000,000	-
Interest and fiscal charges	<u>2,343,926</u>	<u>2,343,926</u>	<u>1,969,585</u>	<u>374,341</u>
Total expenditures	<u>6,343,926</u>	<u>6,343,926</u>	<u>5,969,585</u>	<u>374,341</u>
EXCESS OF REVENUES OVER EXPENDITURES	56,074	56,074	395,648	339,574
<b>OTHER FINANCING SOURCES</b>				
Contribution to reserve	<u>(56,074)</u>	<u>(56,074)</u>	-	<u>56,074</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	395,648	<u>\$ 395,648</u>
FUND BALANCES, BEGINNING			<u>647,527</u>	
FUND BALANCES, ENDING			<u>\$ 1,043,175</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 477,605	\$ 477,605	\$ 589,869	\$ 112,264
<b>OPERATING EXPENSES</b>				
Personnel	10,266,188	10,098,076	10,516,462	(418,386)
Fuel and tires	2,173,944	1,697,162	1,445,689	251,473
Indirect costs	1,001,629	1,001,629	969,401	32,228
Maintenance and repairs	1,601,272	2,320,909	1,423,502	897,407
Insurance	382,985	382,985	364,340	18,645
Marketing	133,000	76,566	47,728	28,838
Tarheel Express	103,971	83,971	33,665	50,306
Uniforms and supplies	115,520	106,870	72,583	34,287
Other	338,352	600,842	235,720	365,122
Total operating expenses	16,116,861	16,369,010	15,109,090	1,259,920
OPERATING INCOME (LOSS)	(15,639,256)	(15,891,405)	(14,519,221)	1,372,184
<b>NONOPERATING REVENUES</b>				
Federal Operating Assistance Grant	2,201,666	2,701,666	2,400,000	(301,666)
State Operating Assistance Grant	3,545,519	3,319,737	3,319,737	-
Local Operating Assistance Grant	54,500	-	-	-
Operating assistance-UNC Chapel Hill	6,005,404	6,005,404	6,120,572	115,168
Operating assistance-Town of Carrboro	1,033,837	1,033,837	1,075,280	41,443
Vehicle licenses	140,000	140,000	145,273	5,273
Ad valorem taxes	2,730,000	2,730,000	2,801,353	71,353
Interest on investments	81,369	81,369	22,026	(59,343)
Proceeds from sale of fixed assets	2,500	2,500	24,580	22,080
Revenue in lieu	-	-	25,690	25,690
Appropriated fund balance	513,813	1,606,280	-	(1,606,280)
Total nonoperating revenues	16,308,608	17,620,793	15,934,511	(1,686,282)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	669,352	1,729,388	1,415,290	(314,098)
CAPITAL CONTRIBUTIONS	-	-	5,062,065	5,062,065

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2009**

Continued

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	113,187	696,920	696,920	-
Transfers out	<u>(782,539)</u>	<u>(2,426,308)</u>	<u>(1,348,387)</u>	<u>1,077,921</u>
Total transfers	<u>(669,352)</u>	<u>(1,729,388)</u>	<u>(651,467)</u>	<u>1,077,921</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	5,825,888	<u>\$ 5,825,888</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			<u>(3,257,405)</u>	
Change in Net Assets			<u>\$ 2,568,483</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,960,690	\$ 1,966,690	\$ 2,043,999	\$ 77,309
<b>OPERATING EXPENSES</b>				
Personnel	724,407	720,007	785,990	(65,983)
Indirect costs	73,336	73,336	72,439	897
Other	628,039	730,521	294,101	436,420
Total operating expenses	1,425,782	1,523,864	1,152,530	371,334
<b>OPERATING INCOME</b>	<b>534,908</b>	<b>442,826</b>	<b>891,469</b>	<b>448,643</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	52,500	52,500	21,117	(31,383)
Debt service	(463,505)	(463,505)	(463,505)	-
Bond issuance expense	-	-	(17,000)	(17,000)
Capital outlay	-	(6,300)	(6,300)	-
Appropriated fund balance	-	98,382	-	(98,382)
Total nonoperating revenues (expenses), net	(411,005)	(318,923)	(465,688)	(146,765)
<b>INCOME BEFORE TRANSFERS</b>	<b>123,903</b>	<b>123,903</b>	<b>425,781</b>	<b>301,878</b>
<b>TRANSFERS</b>				
Transfers out	(123,903)	(123,903)	(170,964)	(47,061)
<b>EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>254,817</b>	<b>\$ 254,817</b>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			6,300	
Debt principal retirement			265,000	
Depreciation and amortization			(385,737)	
Change in Net Assets			\$ 140,380	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 431,000	\$ 431,000	\$ 415,568	\$ (15,432)
OPERATING EXPENSES				
Personnel	998,960	1,008,019	1,012,968	(4,949)
Maintenance and repairs	276,952	265,029	265,058	(29)
Other	364,717	368,515	341,895	26,620
Total operating expenses	1,640,629	1,641,563	1,619,921	21,642
OPERATING LOSS	(1,209,629)	(1,210,563)	(1,204,353)	6,210
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,000,724	1,000,724	1,371,614	370,890
Interest on investments	30,000	30,000	10,257	(19,743)
Proceeds from sale of capital assets	-	-	-	-
Capital outlay	-	-	(1,783,418)	(1,783,418)
Appropriated fund balance	2,905	3,839	-	(3,839)
Total nonoperating revenues (expenses), net	1,033,629	1,034,563	(401,547)	(1,436,110)
LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(176,000)	(176,000)	(1,605,900)	(1,429,900)
CAPITAL CONTRIBUTIONS	-	-	1,783,418	1,783,418

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	<u>176,000</u>	<u>176,000</u>	<u>-</u>	<u>(176,000)</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	<u>177,518</u>	<u>\$ 177,518</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			1,783,418	
Depreciation and amortization			<u>(656,996)</u>	
Change in Net Assets			<u>\$ 1,303,940</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	\$ 1,373,843	\$ 63,225	1,437,068
114	Cash - tenant security deposits	57,035	-	57,035
100	Total cash	1,430,878	63,225	1,494,103
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	120,905	425,022	545,927
126	Accounts receivable - tenants - dwelling rents	64,084	-	64,084
126.1	Allowance for doubtful accounts - dwelling rents	(22,500)	-	(22,500)
120	Total receivables, net allowances for uncollectibles	162,489	425,022	587,511
Current investments:				
143	Inventories	158,290	-	158,290
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total current investments	156,829	-	156,829
142	Prepaid expenses and other assets	-	-	-
150	<b>TOTAL CURRENT ASSETS</b>	1,750,196	488,247	2,238,443
<b>NONCURRENT ASSETS:</b>				
Fixed assets:				
161	Land	2,025,035	-	2,025,035
162	Building	19,277,820	-	19,277,820
164	Furniture, Equipment, & Machinery -Administration	565,054	-	565,054
166	Accumulated depreciation	(11,865,708)	-	(11,865,708)
160	Total fixed assets, net of accumulated depreciation	10,002,201	-	10,002,201
180	<b>TOTAL NONCURRENT ASSETS</b>	10,002,201	-	10,002,201
190	<b>TOTAL ASSETS</b>	\$ 11,752,397	\$ 488,247	\$ 12,240,644
<b>LIABILITIES AND EQUITY:</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
312	Accounts payable ≤ 90 days	\$ 44,802	\$ 424,982	469,784
321	Accrued wage/payroll taxes payable	46,605	-	46,605
322	Accrued compensated absences - current portion	58,673	-	58,673
341	Tenant security deposits	57,035	-	57,035
345	Other current liabilities	99,687	63,265	162,952
310	<b>TOTAL CURRENT LIABILITIES</b>	306,802	488,247	795,049
354	Accrued compensated absences - non-current portion	20,416	-	20,416
350	<b>TOTAL NON-CURRENT LIABILITIES</b>	20,416	-	20,416
300	<b>TOTAL LIABILITIES</b>	327,218	488,247	815,465
<b>EQUITY:</b>				
508	Investment in general fixed assets	10,002,201	-	10,002,201
512	Undesignated fund balance/retained earnings	1,422,979	-	1,422,979
513	<b>TOTAL EQUITY</b>	11,425,180	-	11,425,180
600	<b>TOTAL LIABILITIES AND EQUITY</b>	\$ 11,752,398	\$ 488,247	\$ 12,240,645

**PUBLIC HOUSING FINANCIAL DATA SCHEDULE**

**Schedule 29**

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>REVENUE:</b>				
Tenant revenues:				
703	Net tenant rental revenue	\$ 415,243	\$ -	\$ 415,243
705	Total tenant revenue	415,243	-	415,243
Other revenues:				
706	HUD PHA grants	1,371,614	-	1,371,614
706.1	Capital Grants	-	1,442,980	1,442,980
708	Other Government Grants		103,721	
711	Investment income - unrestricted	10,257	-	10,257
715	Other revenue	325	6,308	6,633
	Total other revenue	1,382,196	1,553,009	2,831,484
700	<b>TOTAL REVENUE</b>	1,797,439	1,553,009	3,246,727
<b>EXPENSES:</b>				
<b>OPERATING EXPENSES:</b>				
Administrative:				
911	Administrative salaries	234,562		234,562
912	Auditing fees	1,200		1,200
915	Compensated Absences	5,467		5,467
915	Employee benefit contributions - administrative	148,563		148,563
919	Other operating - administrative	91,957	103,721	195,678
Tenant services:				
924	Tenant services-other	5,030		5,030
Utilities:				
931	Water	110,768	-	110,768
932	Electricity	26,845	-	26,845
933	Gas	7,065	-	7,065
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	471,471	-	471,471
942	Ordinary maintenance and operations - materials	84,959		84,959
943	Ordinary maintenance and operations - contract costs	130,230	-	130,230
945	Employee benefit contributions - ordinary maintenance	152,905	-	152,905
General expenses:				
961	Insurance premiums	78,055	-	78,055
962	Other general expenses	536	-	536
964	Bad debt - tenant rents	20,439	-	20,439
969	<b>TOTAL OPERATING EXPENSES</b>	1,570,052	103,721	1,673,773
970	<b>EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES</b>	227,387	1,449,288	1,572,954
<b>NON-OPERATING EXPENSES:</b>				
971	Extraordinary maintenance	49,869	1,449,288	1,499,157
974	Depreciation Expense	656,996	-	656,996
900	<b>TOTAL EXPENSES</b>	2,276,917	1,553,009	3,829,926
1003	Operating transfers from/to Primary Government	-	-	-
1000	<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	(479,478)	-	(583,199)
1104	Capital Outlays Enterprise Fund	1,783,418	-	1,783,418
1103	<b>BEGINNING EQUITY</b>	10,121,240	-	10,121,240
	<b>ENDING EQUITY</b>	\$ 11,425,180	\$ -	\$ 11,321,459

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,699,600	\$ 1,697,600	\$ 1,740,119	\$ 42,519
<b>OPERATING EXPENSES</b>				
Personnel	1,031,915	967,115	945,907	21,208
Drainage Maintenance	278,850	309,318	205,716	103,602
Indirect costs	102,250	102,250	86,999	15,251
Consulting	247,929	510,773	198,792	311,981
Other	288,986	447,874	193,557	254,317
Total operating expenses	1,949,930	2,337,330	1,630,971	706,359
OPERATING INCOME (LOSS)	(250,330)	(639,730)	109,148	748,878
<b>NONOPERATING REVENUES (EXPENSES)</b>				
FEMA Grant	-	15,295	15,295	-
Interest on investments	-	-	12,969	12,969
Capital outlay	(530,000)	(546,822)	(63,758)	483,064
Appropriated fund balance	776,330	1,292,571	-	(1,292,571)
Total nonoperating revenues (expenses), net	246,330	761,044	(35,494)	(796,538)
INCOME (LOSS) BEFORE TRANSFERS	(4,000)	121,314	73,654	(47,660)
<b>TRANSFERS</b>				
Transfers in	4,000	6,000	5,251	(749)
Transfers out	-	(127,314)	(127,314)	-
Total transfers	4,000	(121,314)	(122,063)	(749)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(48,409)	\$ (48,409)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			63,758	
Depreciation and amortization			(4,539)	
Change in Net Assets			\$ 10,810	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,624,200	\$ 1,624,200	\$ 1,639,243	\$ 15,043
<b>OPERATING EXPENSES</b>				
Operations	25,000	25,000	13,180	11,820
<b>OPERATING INCOME</b>	<b>1,599,200</b>	<b>1,599,200</b>	<b>1,626,063</b>	<b>26,863</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	-	-	13,822	13,822
Capital outlay	(1,624,200)	(3,123,576)	(1,495,635)	1,627,941
Debt service	(1,350,210)	(1,350,210)	(1,350,213)	(3)
Proceeds from sale of capital assets	150,000	150,000	159,835	9,835
Issuance of installment notes	1,624,200	1,624,200	-	(1,624,200)
Contribution to reserve	(398,990)	(377,990)	-	377,990
Appropriated fund balance	-	1,478,376	-	(1,478,376)
Total nonoperating revenues (expenses), net	(1,599,200)	(1,599,200)	(2,672,191)	(1,072,991)
<b>DEFICIENCY OF REVENUES OVER EXPENSES BEFORE TRANSFERS</b>	<b>-</b>	<b>-</b>	<b>(1,046,128)</b>	<b>(1,046,128)</b>
<b>TRANSFERS</b>	<b>-</b>	<b>-</b>	<b>137,354</b>	<b>137,354</b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(908,774)</b>	<b>\$ (908,774)</b>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,128,447)	
Capital outlay			1,495,635	
Debt service principal			1,189,420	
Change in net assets			\$ 647,834	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,100,655	\$ 1,100,655	\$ 968,989	\$ (131,666)
<b>OPERATING EXPENSES</b>				
Personnel	639,694	637,694	572,169	65,525
Operations	515,525	552,413	488,687	63,726
Total operating expenses	1,155,219	1,190,107	1,060,856	129,251
<b>OPERATING LOSS</b>	<b>(54,564)</b>	<b>(89,452)</b>	<b>(91,867)</b>	<b>(2,415)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Insurance recovery	-	7,157	7,157	-
Interest on investments	6,000	6,000	-	(6,000)
Capital outlay	-	(1,000)	-	1,000
Appropriated fund balance	48,564	51,981	-	(51,981)
Total nonoperating revenues (expenses), net	54,564	64,138	7,157	(56,981)
<b>DEFICIENCY OF REVENUES OVER EXPENSES BEFORE TRANSFERS</b>	<b>-</b>	<b>(25,314)</b>	<b>(84,710)</b>	<b>(59,396)</b>
<b>TRANSFERS</b>	<b>-</b>	<b>25,314</b>	<b>25,314</b>	<b>-</b>
<b>DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (59,396)</b>	<b>\$ (59,396)</b>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,993)	
Change in net assets			\$ (61,389)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 150,000	\$ 150,000	\$ 150,084	\$ 84
<b>OPERATING EXPENSES</b>				
Operations	150,000	177,480	72,729	104,751
<b>OPERATING INCOME (LOSS)</b>	<u>-</u>	<u>(27,480)</u>	<u>77,355</u>	<u>104,835</u>
<b>NONOPERATING REVENUES</b>				
Interest on investments	-	-	2,609	2,609
Proceeds from sale of capital assets	-	-	2,530	2,530
Appropriated fund balance	-	27,480	-	(27,480)
Total nonoperating revenues	<u>-</u>	<u>27,480</u>	<u>5,139</u>	<u>(22,341)</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>82,494</u>	<u>\$ 82,494</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			<u>(2,179)</u>	
Change in net assets			<u>\$ 80,315</u>	

## OTHER SUPPLEMENTAL SCHEDULES

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**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2009**

Fiscal Year	Uncollected Balance 7/1/2008	Additions	Collections And Credits	Uncollected Balance 6/30/2009
2008-2009	\$ -	\$ 33,972,050 a	\$ 33,779,684 b	\$ 192,366
2007-2008	160,905	-	115,881	45,024
2006-2007	24,764	-	3,661	21,103
2005-prior	385,435	-	7,846	377,589
	<u>\$ 571,104</u>	<u>\$ 33,972,050</u>	<u>\$ 33,907,072</u>	<u>636,082</u>
				Add: vehicle fees 108,788
				Less: allowance for uncollectible accounts <u>508,177</u>
				Ad valorem taxes receivable-net <u>\$ 236,693</u>
				Reconcilement with revenues:
				Ad Valorem taxes \$ 33,907,072
				Reconciling items
				Interest collected 57,692
				Total collections and credits <u>\$ 33,964,764</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30,2009**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property	\$ 5,622,881,598	0.581	\$ 33,809,354	\$ 32,117,866	\$ 1,691,488
Downtown Service District	\$ 212,715,790	0.09	\$ 162,696	162,696	-
Total property valuation	<u>\$ 5,835,597,388</u>		<u>33,972,050</u> a	<u>32,280,562</u>	<u>1,691,488</u>
Uncollected taxes at June 30, 2009			<u>192,366</u> c	<u>100,318</u>	<u>92,048</u>
Current year's taxes collected			<u>33,779,684</u> b	<u>32,180,244</u>	<u>1,599,440</u>
Current levy collection percentage			<u>99.43%</u>	<u>99.69%</u>	<u>94.56%</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				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 53,543,531	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330	\$ 61,447,706
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689
Unrestricted	<u>15,075,313</u>	<u>19,554,289</u>	<u>23,279,530</u>	<u>24,337,458</u>	<u>35,270,865</u>
Total governmental activities net assets	<u>\$ 74,193,467</u>	<u>\$ 76,657,648</u>	<u>\$ 84,486,258</u>	<u>\$ 94,982,354</u>	<u>\$ 98,197,260</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369
Unrestricted	<u>5,267,602</u>	<u>8,403,465</u>	<u>8,036,693</u>	<u>9,767,773</u>	<u>10,915,522</u>
Total business-type activities net assets	<u>\$ 19,155,638</u>	<u>\$ 39,565,909</u>	<u>\$ 47,883,552</u>	<u>\$ 56,905,278</u>	<u>\$ 60,928,891</u>
Primary government					
Invested in capital assets, net of related debt	\$ 67,431,567	\$ 86,969,311	\$ 99,836,188	\$ 116,120,835	\$ 111,461,075
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689
Unrestricted	<u>20,342,915</u>	<u>27,957,754</u>	<u>31,316,223</u>	<u>34,105,231</u>	<u>46,186,387</u>
Total primary government net assets	<u>\$ 93,349,105</u>	<u>\$ 116,223,557</u>	<u>\$ 132,369,810</u>	<u>\$ 151,887,632</u>	<u>\$ 159,126,151</u>
Component unit					
Invested in capital assets, net of related debt	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042
Restricted	19,114,903	1,925,585	9,405,757	1,322,469	1,232,718
Unrestricted	<u>7,373,853</u>	<u>6,611,972</u>	<u>6,453,532</u>	<u>5,993,719</u>	<u>15,140,975</u>
Total component unit net assets	<u>\$ 163,930,077</u>	<u>\$ 169,351,312</u>	<u>\$ 177,671,404</u>	<u>\$ 184,603,565</u>	<u>\$ 200,839,735</u>

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**

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities:</b>					
Expenses					
General government	\$ 4,113,954	\$ 4,327,313	\$ 5,780,346	\$ 6,528,356	\$ 7,750,437
Environment and development	16,536,622	21,954,945	25,719,997	29,260,757	24,840,378
Public safety	15,501,769	17,003,191	17,844,886	18,593,745	19,536,555
Leisure activities	4,694,967	4,947,783	4,977,126	5,649,567	8,668,206
Nondepartmental	1,324,805	1,475,398	-	-	-
Interest	884,070	887,200	2,008,005	2,210,521	1,969,585
Total expenses	<u>43,056,187</u>	<u>50,595,830</u>	<u>56,330,360</u>	<u>62,242,946</u>	<u>62,765,161</u>
Program Revenues					
Charges for services:					
General government	\$ 607,385	\$ 564,548	\$ 2,538,610	\$ 1,642,521	\$ 1,670,604
Environment and development	3,607,851	3,225,722	1,147,843	3,167,844	3,059,049
Public safety	70,046	65,244	76,287	99,946	110,137
Leisure activities	603,228	655,976	642,478	587,957	786,346
Operating grants and contributions:					
Environment and development	5,973,016	13,255,667	3,347,410	3,496,677	2,516,767
Public safety	1,183,619	2,190,476	1,318,224	1,700,774	1,691,179
Leisure activities	747,380	333,346	291,129	377,861	384,824
Capital grants and contributions:					
Environment and development	-	913,613	9,154,416	16,641,248	8,331,927
Total program revenues	<u>12,792,525</u>	<u>21,204,592</u>	<u>18,516,397</u>	<u>27,714,828</u>	<u>18,550,833</u>
Total governmental activities net program expense	\$ (30,263,662)	\$ (29,391,238)	\$ (37,813,963)	\$ (34,528,118)	\$ (44,214,328)
General revenues and other changes in net assets					
Property taxes	\$ 23,081,521	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703	\$ 31,162,920
Sales tax	8,456,040	9,138,060	9,594,569	9,758,126	9,033,512
Occupancy tax	675,295	783,509	991,081	985,069	891,857
Other taxes	539,733	582,638	368,073	141,157	112,700
Grants and contributions not restricted	2,478,791	2,559,529	2,935,113	3,537,017	3,831,599
Investment earnings	442,649	1,689,568	1,670,377	1,112,630	261,025
Miscellaneous	1,147,972	1,695,701	1,361,301	1,476,357	1,191,127
Proceeds from financing	-	-	-	-	-
Transfers	991,713	586,538	2,619,973	230,155	944,494
Total general revenues and other changes in net assets	<u>37,813,714</u>	<u>42,302,790</u>	<u>45,642,573</u>	<u>45,024,214</u>	<u>47,429,234</u>
Total governmental activities changes in net assets	<u>\$ 7,550,052</u>	<u>\$ 12,911,552</u>	<u>\$ 7,828,610</u>	<u>\$ 10,496,096</u>	<u>\$ 3,214,906</u>

Continued

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

**Table 2**

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Business-type activities:</b>					
Expenses					
Transportation	\$ 12,457,941	\$ 13,280,263	\$ 14,881,026	\$ 16,215,262	\$ 18,366,495
Parking	1,614,306	1,590,227	1,585,035	1,612,632	1,736,772
Housing	-	1,119,963	1,209,350	2,203,200	2,276,917
Stormwater	1,065,666	2,257,924	2,263,074	1,391,604	1,635,510
Total expenses	<u>15,137,913</u>	<u>18,248,377</u>	<u>19,938,485</u>	<u>21,422,698</u>	<u>24,015,694</u>
Program Revenues					
Charges for services:					
Transportation	\$ 549,673	\$ 608,420	\$ 694,445	\$ 612,907	\$ 735,142
Parking	1,933,579	2,080,546	2,138,673	2,102,350	2,043,999
Housing	-	1,651,616	417,725	453,821	415,568
Stormwater	1,708,292	379,582	1,741,379	1,711,271	1,740,119
Operating grants and contributions:					
Transportation	9,551,828	9,859,005	10,609,529	11,592,845	12,915,589
Housing	-	1,040,017	1,080,526	1,155,687	1,371,614
Stormwater	-	-	-	-	15,295
Capital grants and contributions:					
Transportation	1,217,846	10,320,462	11,150,111	9,927,751	6,845,483
Total program revenues	<u>14,961,218</u>	<u>25,939,648</u>	<u>27,832,388</u>	<u>27,556,632</u>	<u>26,082,809</u>
Total business-type activities net program expense	<u>\$ (176,695)</u>	<u>\$ 7,691,271</u>	<u>\$ 7,893,903</u>	<u>\$ 6,133,934</u>	<u>\$ 2,067,115</u>
General revenues and other changes in net assets					
Property taxes	\$ 2,623,385	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787	\$ 2,801,353
Investment earnings	97,458	281,467	426,554	270,583	66,369
Miscellaneous	-	28,786	(6,567)	52,577	33,270
Transfers	(991,713)	(586,538)	(2,619,973)	(230,155)	(944,494)
Total general revenues and other changes in net assets	<u>1,729,130</u>	<u>2,271,629</u>	<u>423,740</u>	<u>2,887,792</u>	<u>1,956,498</u>
Total business-type activities changes in net assets	<u>\$ 1,552,435</u>	<u>\$ 9,962,900</u>	<u>\$ 8,317,643</u>	<u>\$ 9,021,726</u>	<u>\$ 4,023,613</u>
<b>Total primary government changes in net assets</b>	<u>\$ 9,102,487</u>	<u>\$ 22,874,452</u>	<u>\$ 16,146,253</u>	<u>\$ 19,517,822</u>	<u>\$ 7,238,519</u>

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>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
<b>Component unit activities:</b>					
Expenses	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597
Program Revenues					
Charges for services	21,891,667	24,431,382	25,411,160	28,794,093	29,537,290
Capital grants and contributions	<u>2,566,129</u>	<u>3,459,835</u>	<u>7,425,786</u>	<u>3,316,663</u>	<u>14,493,988</u>
Total component unit revenues	<u>24,457,796</u>	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>	<u>44,031,278</u>
Total component unit net (expense)/revenue	<u>\$ 315,079</u>	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>
General revenues and other changes in net assets					
Investment earnings	821,194	742,010	-	584,031	80,343
Miscellaneous	<u>1,872,820</u>	<u>2,308,651</u>	<u>-</u>	<u>1,998,280</u>	<u>2,504,146</u>
Total general revenues and other changes in net assets	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>2,584,489</u>
Total component unit activities changes in net assets	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 16,236,170</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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>General Fund</b>				
Reserved for:				
State statute	\$ 1,943,331	\$ 2,107,920	\$ 2,576,308	\$ 2,959,369
Encumbrances	1,475,156	791,201	626,161	1,045,892
Inventories	99,005	96,498	10,246	10,246
Capital improvements	207,835	265,549	298,986	440,775
Prepaid items	-	-	-	-
Other	100,000	100,000	100,000	100,000
Total reserved	<u>3,825,327</u>	<u>3,361,168</u>	<u>3,611,701</u>	<u>4,556,282</u>
Unreserved:				
Designated for subsequent year's expenditures	800,000	800,000	1,070,000	1,290,306
Undesignated	<u>4,064,382</u>	<u>4,251,792</u>	<u>4,315,631</u>	<u>5,643,519</u>
Total General Fund	<u>\$ 8,689,709</u>	<u>\$ 8,412,960</u>	<u>\$ 8,997,332</u>	<u>\$ 11,490,107</u>
<b>All Other Governmental Funds</b>				
Reserved for:				
Capital improvements	\$ 5,509,332	\$ 2,924,364	\$ 1,481,350	\$ 5,105,823
State Statute	163,590	145,070	203,732	28,528
Encumbrances	38,164	29,448	48,556	154,482
Inventories	116,045	153,790	137,643	146,058
Interest subsidies	-	-	-	-
Other	-	-	-	-
Debt service	190,643	199,967	1,095	171,968
Total reserved	<u>6,017,774</u>	<u>3,452,639</u>	<u>1,872,376</u>	<u>5,606,859</u>
Unreserved, reported in:				
Special revenue funds	671,401	775,774	691,085	1,046,524
Capital projects funds	1,159,428	1,082,391	974,784	735,184
Total all other governmental funds	<u>\$ 7,848,603</u>	<u>\$ 5,310,804</u>	<u>\$ 3,538,245</u>	<u>\$ 7,388,567</u>



**Table 3**

<b>Fiscal Year</b>										
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>					
\$ 3,251,528	\$ 3,250,131	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811					
858,238	1,209,013	1,297,402	1,272,671	1,524,640	1,079,576					
2,209	1,472	1,928	2,728	2,470	2,599					
427,112	531,342	381,258	231,128	353,915	364,815					
-	-	-	-	355,140	-					
100,000	204,917	212,620	323,997	332,888	321,798					
<u>4,639,087</u>	<u>5,196,875</u>	<u>5,805,272</u>	<u>7,060,538</u>	<u>9,378,441</u>	<u>6,468,599</u>					
1,499,000	1,514,993	1,879,000	4,315,000	2,743,874	3,134,373					
<u>5,634,550</u>	<u>8,263,350</u>	<u>9,911,161</u>	<u>6,515,807</u>	<u>7,773,811</u>	<u>11,690,555</u>					
<u>\$ 11,772,637</u>	<u>\$ 14,975,218</u>	<u>\$ 17,595,433</u>	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>					
\$ 2,075,756	\$ 30,287,235	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692					
1,112,771	814,273	2,069,240	2,058,864	272,580	325,537					
50,203	656,035	1,111,691	871,343	408,663	373,427					
170,443	157,223	-	-	16,538	16,538					
387,872	293,649	68,108	129,523	-	-					
253,860	236,952	394,878	435,030	1,153,789	467,125					
176,247	455,089	635,619	641,042	-	1,043,175					
<u>4,227,152</u>	<u>32,900,456</u>	<u>22,052,312</u>	<u>18,204,521</u>	<u>9,026,979</u>	<u>8,708,494</u>					
232,698	688,286	133,262	39,047	608,640	381,005					
359,586	(279,758)	(1,458,927)	(1,669,821)	1,978,767	2,190,234					
<u>\$ 4,819,436</u>	<u>\$ 33,308,984</u>	<u>\$ 20,726,647</u>	<u>\$ 16,573,747</u>	<u>\$ 11,614,386</u>	<u>\$ 11,279,733</u>					

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Revenues</b>				
Taxes	\$ 22,032,598	\$ 23,328,989	\$ 26,193,450	\$ 29,251,469
Intergovernmental	8,774,761	8,388,946	14,962,684	10,823,095
Charges for services	1,533,782	1,557,250	1,706,496	1,984,469
Licenses and permits	1,349,780	1,363,742	1,432,195	1,519,274
Interest	763,966	948,173	439,531	187,590
Other	1,045,776	1,487,705	1,250,786	1,621,026
Total Revenues	<u>35,500,663</u>	<u>37,074,805</u>	<u>45,985,142</u>	<u>45,386,923</u>
<b>Expenditures</b>				
General government	2,748,984	2,916,683	3,085,314	3,297,515
Environment and development	14,305,633	15,548,497	22,793,279	17,969,896
Public safety	10,786,477	12,009,852	13,394,643	13,859,523
Leisure activities	3,236,540	3,507,813	3,751,287	3,822,370
Nondepartmental	711,717	985,953	1,075,234	823,903
Capital projects	1,888,495	4,013,559	3,413,124	3,454,036
Debt Service:				
Principal	1,355,000	1,520,000	1,490,000	1,560,000
Interest	834,780	1,012,046	932,731	782,855
Total Expenditures	<u>35,867,626</u>	<u>41,514,403</u>	<u>49,935,612</u>	<u>45,570,098</u>
Excess of revenues over (under) expenditures	<u>(366,963)</u>	<u>(4,439,598)</u>	<u>(3,950,470)</u>	<u>(183,175)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,988,442	4,086,550	3,738,558	5,005,819
Transfers out	(3,515,864)	(3,581,000)	(2,447,875)	(3,902,127)
Proceeds from bonds	4,700,000	-	-	4,250,000
Proceeds from installment notes	189,000	1,119,500	1,471,600	-
Total other financing sources (uses)	<u>5,361,578</u>	<u>1,625,050</u>	<u>2,762,283</u>	<u>5,353,692</u>
Net change in fund balances	<u>\$ 4,994,615</u>	<u>\$ (2,814,548)</u>	<u>\$ (1,188,187)</u>	<u>\$ 5,170,517</u>
Debt service as a percentage of non capital expenditures	6.44%	6.75%	5.21%	5.56%

Table 4

		Fiscal Year					
		2004	2005	2006	2007	2008	2009
\$	30,430,218	\$ 32,782,589	\$ 35,771,454	\$ 37,055,809	\$ 38,668,055	\$	41,200,989
	8,866,342	10,382,806	19,252,631	17,046,292	25,753,577		16,756,296
	2,075,005	2,822,100	2,617,171	2,503,992	2,826,213		3,216,330
	1,551,622	1,512,168	1,652,945	1,590,653	1,721,627		2,200,422
	192,595	442,649	1,689,568	1,670,377	1,112,630		261,025
	1,822,410	1,702,214	1,937,075	1,654,137	2,426,785		1,400,511
	<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>		<u>65,035,573</u>
	3,517,651	3,763,510	4,079,736	5,634,423	6,190,609		7,272,596
	17,360,844	18,965,051	25,761,076	27,478,666	25,779,963		21,590,608
	14,976,104	15,342,852	16,900,363	17,666,485	18,567,074		18,686,914
	4,081,517	4,118,714	4,282,116	4,224,267	4,897,425		7,398,605
	962,489	1,324,805	1,475,398	-	-		-
	5,516,543	4,672,085	16,676,455	15,964,112	14,012,030		3,836,343
	1,670,000	1,675,000	2,180,000	3,090,000	4,015,000		4,000,000
	880,610	884,070	887,200	2,008,005	2,210,521		1,969,585
	<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>64,754,651</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>		<u>280,922</u>
	4,246,839	4,981,814	7,450,039	17,737	8,473,343		2,573,984
	(3,900,675)	(3,990,101)	(6,863,501)	10,878,467	(8,264,188)		(1,792,158)
	-	30,000,000	-	4,967,737	-		-
	<u>1,395,000</u>	<u>966,733</u>	<u>-</u>	<u>3,100,000</u>	<u>-</u>		<u>-</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>781,826</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>	\$	<u>1,062,748</u>
	5.87%	5.55%	5.52%	8.48%	10.10%		9.80%

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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>
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
2009	31,162,920	9,033,512	891,857	112,700	41,200,989

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>
2000		*	*	2,501,345,508	381,872,039
2001		*	*	2,589,768,417	388,087,936
2002	(1,2)	*	*	3,556,294,528	403,959,196
2003		*	*	3,688,289,625	415,023,471
2004		*	*	3,791,842,402	455,906,761
2005		*	*	3,918,233,860	482,128,300
2006	(1)	3,956,681,069	783,355,893	4,740,036,962	498,524,879
2007		3,640,445,489	1,249,997,134	4,890,442,623	520,961,320
2008		3,825,506,198	1,313,540,280	5,139,046,478	460,567,284
2009		3,945,477,182	1,354,733,971	5,300,211,153	471,708,077

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

Notes:

- (1) Revaluation year.
- (2) Increase due to revaluation and the addition of \$200 million from a major annexation.
- (3) Public service companies valuations are provided by the North Carolina Department of Revenue. These amounts include both real and personal property.
- (4) Source is the State Department of Revenue final report of assessed valuations of NC Municipalities for the 2008/2009 fiscal year.
- (5) Per \$100 of value. Includes taxes for general fund, debt service fund and transit fund.
- (6) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (7) Source is the Property Tax Division of the North Carolina Department of Revenue.

Table 6

<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)	(7)
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	6,582,822,815	83.14%
60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%

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

<b>Year Taxes Payable</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
Chapel Hill within Orange County:			*	
<u>Town Direct Rates:</u>				
General Fund	0.524	0.535	0.461	0.510
Transit	0.039	0.043	0.043	0.043
Debt Service **	-	-	-	-
Total outside Downtown Service District	0.563	0.578	0.504	0.553
Downtown Service District	0.062	0.062	0.062	0.062
Total Direct Rates	0.625	0.640	0.566	0.615
<u>Overlapping Rates:</u>				
Orange County	0.919	0.929	0.805	0.845
Chapel Hill - Carrboro School District	0.220	0.220	0.202	0.192
Total Overlapping Rates	1.139	1.149	1.007	1.037
Total Direct and Overlapping Rates	1.764	1.789	1.573	1.652
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.524	0.535	0.461	0.510
Transit	0.039	0.043	0.043	0.043
Debt Service	-	-	-	-
Total Direct Rates	0.563	0.578	0.504	0.553
<u>Overlapping Rates:</u>				
Durham County	0.930	0.930	0.729	0.753
Total Direct and Overlapping rates	1.493	1.508	1.233	1.306

\* Revaluation year

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

Source: North Carolina State Department of Revenue.



**Table 7**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
		*			
0.502	0.516	0.474	0.474	0.474	0.423
0.051	0.059	0.048	0.048	0.048	0.048
-	-	-	-	-	0.110
0.553	0.575	0.522	0.522	0.522	0.581
0.062	0.062	0.053	0.090	0.090	0.090
0.615	0.637	0.575	0.612	0.612	0.671
0.880	0.880	0.843	0.903	0.950	0.998
0.200	0.200	0.183	0.189	0.204	0.230
1.080	1.080	1.026	1.092	1.154	1.228
1.695	1.717	1.601	1.704	1.766	1.899
0.502	0.516	0.474	0.474	0.474	0.423
0.051	0.059	0.048	0.048	0.048	0.048
-	-	-	-	-	0.110
0.553	0.575	0.522	0.522	0.522	0.581
0.763	0.790	0.809	0.809	0.834	0.708
1.316	1.365	1.331	1.331	1.356	1.289

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

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

<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
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
Europa Center LLP	Office Building
DDRM Meadowmont Village Center LLC (formerly Inland Southeast Meadowmont LLC)	Development
BellSouth Telephone Company (formerly Southern Bell Telephone & Telegraph Co.)	Public Utility
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 assessed valuation

Sources:

- (1) 1999/2000 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

<b>Fiscal Year 2009</b>				<b>Fiscal Year 2000</b>			
		(2)	Percentage of Total Assessed Valuation		(1)	Percentage of Total Assessed Valuation	
	<b>Assessed Valuation</b>	<b>Rank</b>		<b>Assessed Valuation</b>	<b>Rank</b>		
\$	49,895,519	1	0.86%				
	36,432,449	2	0.62%	60,998,179	1	2.07%	
	35,774,739	3	0.61%	29,162,294	3	0.99%	
	32,584,496	4	0.56%				
	32,336,426	5	0.55%				
	29,002,162	6	0.50%	24,027,672	6	0.82%	
	27,031,431	7	0.46%				
	22,577,923	8	0.39%				
	22,210,399	9	0.38%	27,474,952	5	0.93%	
	21,487,445	10	0.37%				
				44,945,947	2	1.53%	
				28,227,361	4	0.96%	
				19,813,266	7	0.67%	
				14,629,581	8	0.50%	
				13,999,373	9	0.48%	
				12,860,708	10	0.44%	
\$	<u>309,332,989</u>		<u>5.30%</u>	\$ <u>276,139,333</u>		<u>9.38%</u>	
\$	<u>5,835,597,388</u>			\$ <u>2,944,165,957</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	
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%	*
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	(1) 377,589
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	21,103
2008	30,412,485	30,240,782	99.44%	115,691	30,356,473	99.82%	45,024
2009	33,972,050	33,779,684	99.43%	-	33,779,684	99.43%	192,366

\* 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 2005 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>
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	-
2009	17,415,000	21,770,000	7,355,887	-

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>Certificates of Participation</b>	<b>Total Primary Government</b>	<b>Per Capita Personal Income</b>	<b>Per Capita</b>	<b>Percentage of Personal Income</b>
			(1)	(1)
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%
5,165,000	51,705,887	43,844	930	2.12%

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

<b>Fiscal Year</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
General bonded debt outstanding				
General obligation bonds	\$ 20,225,000	\$ 18,705,000	\$ 17,380,000	\$ 20,070,000
Percentage of estimated actual property value (1)	0.69%	0.62%	0.43%	0.48%
Per capita (2)	\$ 439	\$ 382	\$ 541	\$ 606

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>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
\$ 18,400,000	\$ 20,725,000	\$ 18,545,000	\$ 21,630,000	\$ 19,515,000	\$ 17,415,000
0.43%	0.46%	0.38%	0.40%	0.34%	0.30%
\$ 554	\$ 558	\$ 480	\$ 522	\$ 471	\$ 397

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**Town of Chapel Hill  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2009**

**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	\$ 121,415,000	41.47%	\$ 50,347,522
Durham County	251,040,045	1.81%	4,549,214
Total direct debt			<u>39,185,000</u>
Total direct and overlapping debt			<u><u>\$ 94,081,736</u></u>

Sources:

Orange County Department of Financial Services.

Durham County Department of Finance.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total assessed valuation	\$ 2,944,165,957	\$ 3,039,516,608	4,021,127,152	\$ 4,167,181,402
Debt limit - 8% of total assessed valuation	235,533,277	243,161,329	321,690,172	333,374,512
General obligation bonds	20,225,000	18,705,000	17,380,000	20,070,000
Bonds authorized but unissued	4,250,000	4,250,000	4,250,000	4,000,000
Net debt applicable to debt limit	<u>24,475,000</u>	<u>22,955,000</u>	<u>21,630,000</u>	<u>24,070,000</u>
Legal debt margin	\$ <u>211,058,277</u>	\$ <u>220,206,329</u>	\$ <u>300,060,172</u>	\$ <u>309,304,512</u>
Legal debt margin as a percentage of the debt limit	89.61%	90.56%	93.28%	92.78%

Note: Under North Carolina general statutes, a municipality's net debt should not exceed 8% of total assessed property value.

The Town's outstanding debt that applies to this limit at June 30, 2009 totalled \$17,415,000. This total is less than 1% of the Town's June 30, 2009 tax base (\$6.96 billion).

\* Source: The North Carolina Department of Revenue final report of assessed property values for the 2008/2009 fiscal year.

North Carolina G.S §159-55.

**Table 13**

<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><u>2009</u></b>	
\$ 4,305,436,972	\$ 4,458,136,168	\$ 5,299,402,374	\$ 5,472,958,888	\$ 5,659,756,385	\$ 5,835,597,388	*
344,434,958	356,650,893	423,952,190	437,836,711	452,780,511	466,847,791	
18,400,000	20,725,000	18,545,000	21,630,000	19,515,000	17,415,000	
29,360,000	25,360,000	25,360,000	20,410,000	20,410,000	20,410,000	
<u>47,760,000</u>	<u>46,085,000</u>	<u>43,905,000</u>	<u>42,040,000</u>	<u>39,925,000</u>	<u>37,825,000</u>	
<u>\$ 296,674,958</u>	<u>\$ 310,565,893</u>	<u>\$ 380,047,190</u>	<u>\$ 395,796,711</u>	<u>\$ 412,855,511</u>	<u>\$ 429,022,791</u>	
86.13%	87.08%	89.64%	90.40%	91.18%	91.90%	

**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)
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%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	5.8%

Notes:

- (1) Town of Chapel Hill Department of Planning, Office of State Budget and Management
- (2) U. S. Department of Commerce, Bureau of Economic Analysis. Data available for Orange County only.  
Most recent available census data.
- (3) U. S. Department of Commerce, most recent available census data.
- (4) Chapel Hill-Carrboro City Schools and The University of North Carolina at Chapel Hill.
- (5) N. C. Employment Security Commission, June 2009 data.

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

**Table 15**

<b>Taxpayer</b>	<b>Fiscal Year 2009</b>			<b>Fiscal Year 2000</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
(1)	(2)		(3)			
University of North Carolina at Chapel Hill	12,082	1	31.9%	10,151	1	
University of North Carolina Hospitals	6,098	2	16.1%	4,420	2	Not available
Blue Cross Blue Shield of NC	4,900	4	13.0%	2,801	3	available
Carrboro-Chapel Hill Schools	1,870	3	4.9%	1,600	4	
Town of Chapel Hill	673	5	1.8%	615	5	
<b>Total</b>	<b>25,623</b>		<b>67.7%</b>	<b>19,587</b>		<b>Not available</b>
<b>Total Town Employment</b>	(2) <b>37,831</b>			<b>Not available</b>		

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

(2) Source: Employer websites or Human Resource Departments.

(3) Source: Town of Chapel Hill Planning Department 2001 Data Book.

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

<b>Function/Program</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
General government:				
Finance				
Purchase orders issued	2,090	2,070	2,190	2,092
Human Resources				
Recruitment for positions	143	105	84	96
Public Works				
Streets resurfaced (miles)	6	6.75	6.65	4.71
Refuse collected (tons)	23,572	22,141	21,729	23,992
Economic and development:				
Planning/Inspections				
Building permits issued	863	841	927	1,035
Public safety:				
Police				
Calls for service**	28,585	26,062	26,278	24,778
Traffic citations	3,917	3,391	3,615	3,448
Fire				
Emergency responses	2,187	2,254	2,423	2,088
Property losses	\$ 2,904,195	\$ 1,298,680	\$ 1,118,170	\$ 1,058,199
Inspections	1,187	1,482	1,289	1,308
Leisure activities:				
Parks and Recreation				
Program/league registrants	36,646	36,383	32,530	37,101
Transit				
Service miles	1,225,800	1,283,075	1,644,754	1,883,680
Parking				
Citations issued	22,214	24,483	22,263	19,737
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).

Source: Town of Chapel Hill department representatives.



**Table 16**

<b>Fiscal Year</b>						
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
2,082	2,080	2,135	2,386	2,222	1,411	
86	56	74	79	84	88	
6	6.05	5.45	5.71	5.71	5.87	
23,836	22,231	21,838	21,541	19,821	16,502	
903	961	716	755	610	692	
29,385	30,754	32,871	42,428	42,691	34,273	
3,902	4,682	4,885	6,716	6,439	5,605	
1,787	1,811	2,208	3,349	2,274	2,352	
\$ 2,244,200	\$ 232,025	\$ 594,200	\$ 3,312,435	\$ 2,875,631	\$ 2,317,857	
1,327	1,312	1,218	730	714	1,436	
37,312	38,343	38,141	35,250	35,758	35,389	
2,180,107	2,140,275	2,479,470	2,396,497	2,247,250	2,190,575	
19,595	19,781	20,043	18,731	18,864	17,136	
	*	258	193	223	234	

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

<b>Function/Program</b>	<b><u>2000</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>
General Government:				
Public Works				
Streets (miles)	137.8	142.5	151.9	151.9
Street lights	2,412	2,482	2,691	2,905
Public Safety:				
Police				
Patrol units	4	4	4	4
Investigative units	1	1	2	2
Other specialty units	3	3	3	3
Fire				
Number of stations	4	4	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	16	17	17	17
Library				
Volumes in circulation	125,598	135,671	140,550	148,706
Transportation				
Number of buses	61	54	74	83
Number of vans	8	9	13	14
Parking				
Number of spaces available	889	889	889	889
Housing				
Number of units occupied	327	324	325	317

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year					
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
153.1	156.6	162.3	164.2	165.1	164.9
3,006	3,008	3,005	3,075	3,161	3,260
4	4	4	4	5	5
2	2	2	2	2	2
3	3	3	3	2	3
5	5	5	5	5	5
17	17	17	17	15	15
150,408	158,673	168,109	170,586	178,687	164,040
83	86	86	89	98	96
14	11	18	18	15	15
889	889	887	890	880	913
310	325	329	320	316	322

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

**Table 18**

**Full-Time Equivalent Employees**

<b>Function/Program</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
General government:										
Mayor and council	0.53	0.53	0.53	0.53	1	1	1	1	1	1
Town manager's office	6	6	6	6	6	6	6	7.53	6.8	7
Town clerk's office	4.27	4.27	4.27	4.27	4.53	4.53	4.53	4.53	7.53	9.13
Human resources	7.23	7.23	7.23	6.73	8	8	8	8	8	8
Finance	14.19	11.19	11.39	10.86	11.33	11.33	12.33	12.33	12.53	14
Information technology (A)	-	3	4	5	5	6	7	7	7	8
Legal	2	2	2	2	2	2	2	2	2	2
Public Works (E,F)	128	120.5	122.5	116.5	128	129	129	124	114	78
Environment and development:										
Planning	15.03	15.53	15.53	15.53	15.53	16.19	16.19	18.56	19.56	21.1
Inspections	8	9	9	10.53	10.53	10.53	9	9	9	8
Engineering	13	13	13	13	13	12	11.8	19	20	23
Housing (B)	19	18	18	18	18	18	-	-	-	-
Public Safety:										
Police	127.35	127.4	135.2	135.4	134	138	138	144	144	144
Fire	61.15	73.15	73.15	73.13	74	74.53	74.53	86.53	86.53	93.5
Leisure activities:										
Parks & Recreation (E)	20.52	20.42	20.95	20.95	21.38	21.91	22.79	23.26	22.59	6
Library	25.53	25.53	28	28	28	28	28	29	29	29.2
Transit	123.37	125.37	140.59	143.59	159.09	161.59	164.59	167.79	171.46	176
Parking	12	12	12	13.3	12.8	12.8	12.8	12.8	12.8	12.8
Housing (B)	-	-	-	-	-	-	18	17	18	18
Stormwater (C,F)	-	-	-	-	-	4	5.2	5.2	7	14
Landfill (D)	28	-	-	-	-	-	-	-	-	-
<b>Total</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>	<b>672.73</b>

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.
- (E) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.
- (F) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.

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

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

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

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

To the Honorable Mayor and  
Members of Town Council  
Town of Chapel Hill, 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, 2009 not presented here, which collectively comprise the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 26, 2009. 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 26, 2009

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

*"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, 2009. 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, 2009.

### **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 26, 2009



# 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, 2009. 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, 2009.

### **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 26, 2009

# 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, 2009 are:

<u>Program Name</u>	<u>CFDA#</u>
Community Develop. Block Grant	14.218
Public and Indian Housing	14.850
Public and Indian Housing - Capital	14.872
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, 2009 are:

**Program Name**

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Powell Bill/DOT

State maintenance Assistance for Urban and Small Urban

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

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

None

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

None

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

None

**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009**

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	21,807	2,726	2,726
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-95-X001-00	2,088,430	98,182	12,273	12,273
Federal Transit Administration - Federal Transit Capital Formula Grant	20.500	NC-26-0004	1,247,914	4,925	1,970	-
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-03-0058-00	1,647,861	34,927	4,366	4,365
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0031-00	3,750,000	-	-	-
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-95-X029-00	1,700,000	1,700,000	-	-
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-90-X391-02	1,400,627	12,320	-	3,079
Federal Transit Administration - Federal Transit Capital Grant	20.57	NC-95-X025-00	2,870,000	2,226,226	277,255	279,301
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-03-0066-00	1,707,555	-	-	-

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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-03-0066-01	814,080	-	(51)	51
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-03-0066-02	30,528	-	-	-
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	13,520	192	3,188
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X345-00	690,719	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-363-00	845,705	-	(26,003)	26,003
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X381-00	682,730	18,597	(20,694)	25,343
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X415-00	844,140	71,173	(955)	18,748
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-00	633,142	309,294	11,003	66,320



**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-01	2,089,520	1,900,000	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-95-X033-00	500,000	285,969	-	71,492
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	NC-37-X018-00	352,712	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	08-08-103	113,500	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	09-08-103	138,866	-	-	123,927
Federal Transit Administration - Federal Transit Planning Formula Grant (ARRA)	20.507	NC-96-X003-00	2,714,867	500,000	-	-
<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)	134,954	89,860	-	22,465
Total U.S. Department of Transportation				<u>7,286,800</u>	<u>262,082</u>	<u>659,281</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Highway Administration						
<i>Passed-Through NC Department of Transportation:</i>						
NCDOT MPO Grant - Drainage Grate - MLK	20.205	U-4726 M	10,000	-	-	-
NCDOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	135,000	-	-	-
NCDOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	15,000	-	-	-
NCDOT MPO Grant - MLK Pedestrian Safety (ARRA)	20.205		350,000	-	-	-
NCDOT MPO Grant - Sidewalks (ARRA)	20.205	U-4726 IE	185,000	-	-	-
NCDOT MPO Grant - ADA Ramps (ARRA)	20.205	U-4726 IA	50,000	-	-	-
NCDOT MPO Grant - Traffic Calming (ARRA)	20.205	U-4726 IB	50,000	-	-	-
NCDOT MPO Grant - Pedestrian Lighting (ARRA)	20.205	U-4726 ID	61,563	-	-	-
NCDOT MPO Grant - Morgan Creek (ARRA)	20.205	EL-4601	300,000	-	-	-
NCDOT MPO Grant - Bike Loops (ARRA)	20.205		175,000	-	-	-
Total Federal Highway Administration				-	-	-
U.S. Department of Housing and Urban Development						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement	14.218	MC-37-0016	4,755,788	669,887	-	-
Community Development Block Grant Entitlement (ARRA)		MY-37-0016	156,110	-	-	-
Program income			-	-	-	7,339
Public and Indian Housing Program -						
Operating	14.850	NC-046-001-06D	1,371,614	1,371,614	-	-
Rental and other income			-	-	-	425,826

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Public and Indian Housing - Capital Fund	14.872	NC-19P04650104	530,628	-	-	-
		NC-19P04650105	601,728	270,787	-	-
		NC-19P04650106	557,355	436,889	-	-
		NC-19P04650107	582,697	431,914	-	-
		NC-19P04650108	578,700	303,391	-	-
		NC-046REF025A004	248,240	103,721	-	-
		NC-19S04650109 (ARRA)	732,519	-	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	-	-	-
				-	-	15,056
Total U.S. Department of Housing and Urban Development				<u>3,588,203</u>	<u>-</u>	<u>448,221</u>
U.S. Department of Justice						
<i>Direct Programs:</i>						
COPS Technology Grant	16.710	2008CKWX0450	116,913	-	-	-
Bulletproof Vest Partnership Program	16.607		20,932	-	-	-
Total U.S. Department of Justice				<u>-</u>	<u>-</u>	<u>-</u>
Department of Homeland Security						
<i>Direct Programs:</i>						
SAFER Grant	97.083	EMW-2006-FF-04309	2,671,525	380,179	-	159,232

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<i>Passed-Through NC Department of Crime Control &amp; Public Safety:</i>						
Project Safe Orange	16.609	068-I-08-001-BB-067	27,491	5,055	-	-
USAR Training Grant	97.019	FY07 1520-030-HI-515	3,985	3,985	-	-
Total Department of Homeland Security				<u>389,219</u>	<u>-</u>	<u>159,232</u>
Federal Mediation and Conciliation Services						
Youth Initiative Partnership	34.001		24,000	1,017	-	-
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment &amp; Natural Resources:</i>						
U.S. Geologic Survey Grant	15.808	866CGIAAPR09	7,838	7,838	-	-
EPA Section 319 Grant	15.530		533,620	7,626	-	7,626
Total U.S. Department of the Interior				<u>15,464</u>	<u>-</u>	<u>7,626</u>
<b>TOTAL FEDERAL ASSISTANCE</b>				<u>11,280,703</u>	<u>262,082</u>	<u>1,274,360</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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			1,502,645	-	1,502,645	-
Interest			1,258	-	-	1,258
State Maintenance Assistance for Urban and Small Urban Areas			3,319,737	-	3,319,737	-
NCDOT MPO Grant - Morgan Creek			169,375	-	74,858	6,689
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	72,244	2,922
NCDOT MPO Grant - Traffic Signal Improvements			70,538	-	32,935	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	256,081	64,020
NCDOT MPO Grant - Dry Creek Trail			80,000	-	-	-
NCDOT MPO Grant - Fordham Landscape Buffer			50,000	-	22,586	-
NCDOT - Moving Ahead State Earmark	03-AT-056		236,000	-	-	-
	05-AT-002		130,975	-	55,437	6,159
<i>Passed-Through Triangle Council of Government:</i>						
Transit Demand Grant			97,876	-	43,999	43,999
Total North Carolina Department of Transportation				-	5,380,522	125,047
State Library Aid			36,737	-	36,737	-
Mosquito Abatement Grant			3,871	-	3,871	-
NC E-Authority Grant			50,000	-	24,723	24,723
NC E-Authority Grant			24,991	-	-	-
Parks & Recreation Trust Fund Grant			500,000	-	50,000	-
UNC - Old Cemetary			100,000	-	28,455	-
UNC - Traffic Projects			43,909	-	-	-
<b>TOTAL STATE ASSISTANCE</b>				-	5,524,308	149,770
<b>TOTAL FINANCIAL ASSISTANCE</b>				\$ 11,280,703	\$ 5,786,390	\$ 1,424,130

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009

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, 2009. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2009, 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.