

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2010**

Prepared by:

Town of Chapel Hill
Business Management Department

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MANAGER'S OFFICE
Town of Chapel Hill
405 Martin Luther King Jr. Blvd.
Chapel Hill, NC 27514-5705

phone (919) 968-2743 *fax* (919) 969-2063
www.townofchapelhill.org

October 11, 2010

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, 2010 (FY 2009-10) 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, 2010.

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, 2010 are presented in conformity with generally accepted accounting principles. The report of the independent auditors is presented as the first component of the financial section of this report.

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

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

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

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

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

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

Budgetary control is maintained at the functional level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are reported as reservations of fund balances at June 30, 2010.

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

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

Profile of the Town of Chapel Hill

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

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

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

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

Factors Affecting Financial Condition

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

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

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 when compared to the rest of the state. The Town's unemployment rate has been below State and national rates over the last five years. The Town's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base.

Long-term financial planning. The Town 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 were delayed with the economic downturn, but will be combined into a single \$20.41 million issuance in FY2010-11. 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 up to \$7.2 million in future debt for a \$75 million public/private development project to construct a three-section building complex combining condominiums, retail and underground parking. The complex will be constructed on town-owned Parking Lot 5, facing both Franklin and Rosemary Streets. The project, in addition to retail space, will include 137 condominiums with 21 affordable housing units which will be placed in the Land Trust, nearly 30,000 square feet of office/retail space, and 345 parking spaces. The project will also include about 27,000 square feet of open public space and public art. The town will retain ownership of the site with a land lease and will own 161 parking spaces with 169 spaces for condominium owners. The downtown development project will stimulate the town center, reduce dependency on the automobile and increase the tax-base. When completed, the project is expected to generate new property and sales taxes and parking revenue. The construction phase of this project has been delayed due to the economic downturn, but is expected to begin in 2010-11. 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.

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

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The delay in issuance of the final \$20.4 million of bonds authorized in 2003 allowed the Town to keep debt service costs below 10% in keeping with established guidelines.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2010-11 budget, with the allocation of fund balance for a one-time payment to employees in lieu of a raise and for capital maintenance projects.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chapel Hill for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

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 2009-10. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required

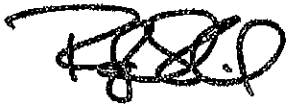
categories, as a policy document, a financial plan, an operations guide, and a communications device.

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.

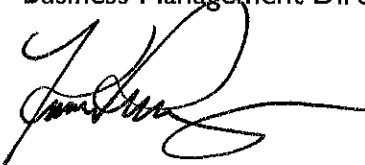
We would also like to thank the Mayor and members of the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Roger L. Stancil
Town Manager

A handwritten signature in black ink, appearing to read 'R. Stancil', with a stylized flourish at the end.

Kenneth C. Pennoyer
Business Management Director

A handwritten signature in black ink, appearing to read 'Kenneth C. Pennoyer', with a long, sweeping underline.

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, 2009

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.



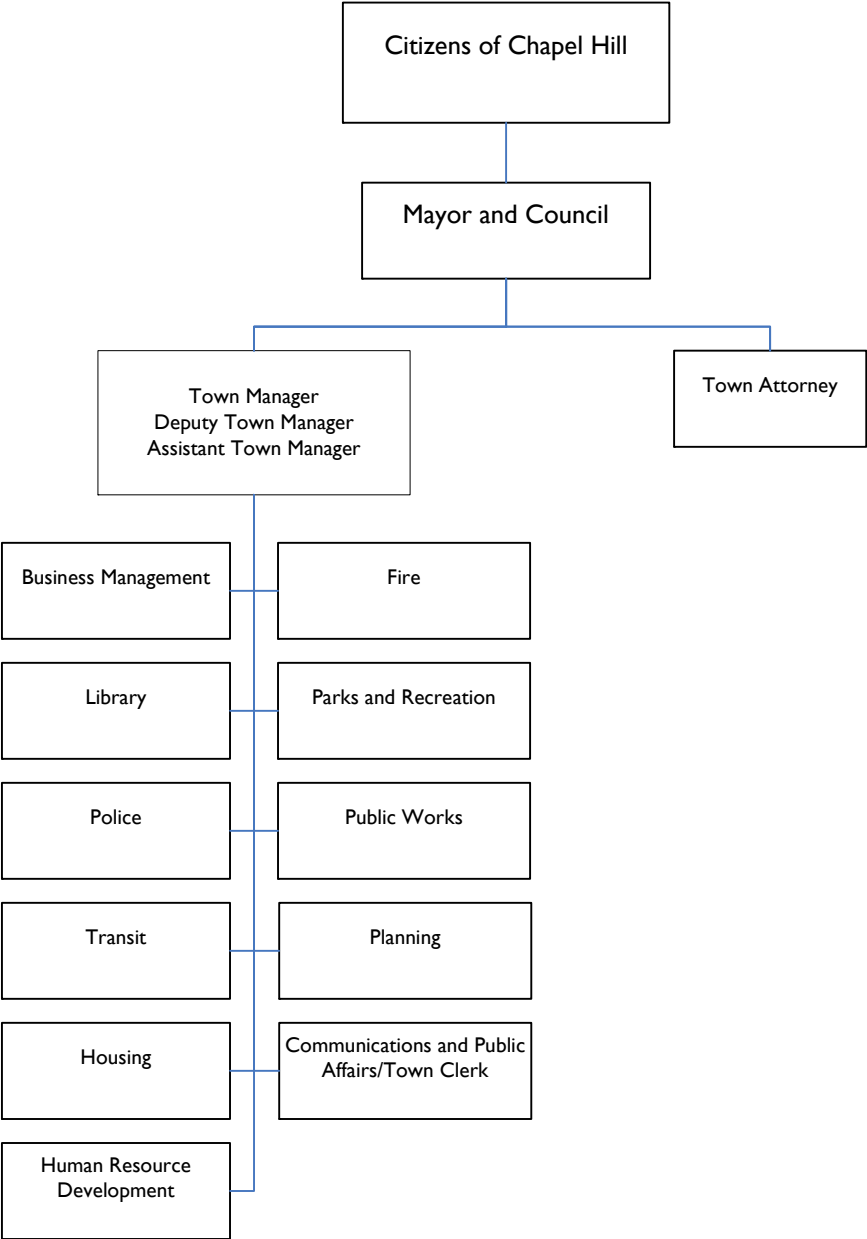
A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emsw".

Executive Director

TOWN OF CHAPEL HILL ORGANIZATIONAL CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2010
MEMBERS OF THE GOVERNING BODY**

Mayor

Mark Kleinschmidt

Mayor pro tem

Jim Ward

Council Members

Donna Bell

Matt Czajkowski

Laurin Easthom

Sally Greene

Ed Harrison

Gene Pease

Penny Rich

Officials

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Bruce A. Heflin II

Assistant Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

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

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2010, 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 basic financial statements based on our audit. We did not audit the financial statements of the Orange Water and Sewer Authority which, represents 100%, respectively, of the net assets, fund balance and revenues of the component unit. 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. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina's, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Required Supplementary Information, and the Other Post-Employment Benefits-Retiree Health Plan Required Supplementary Information are not required parts of the basic financial statements but is 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2010, 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 considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapel Hill, North Carolina basic financial statements. The introductory section, other supplementary schedules, combining and individual nonmajor fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. The other supplemental schedules, combining and individual nonmajor fund financial statements and the accompanying Schedule of Expenditures of Federal and State Awards 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 subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2010

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, 2010. 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

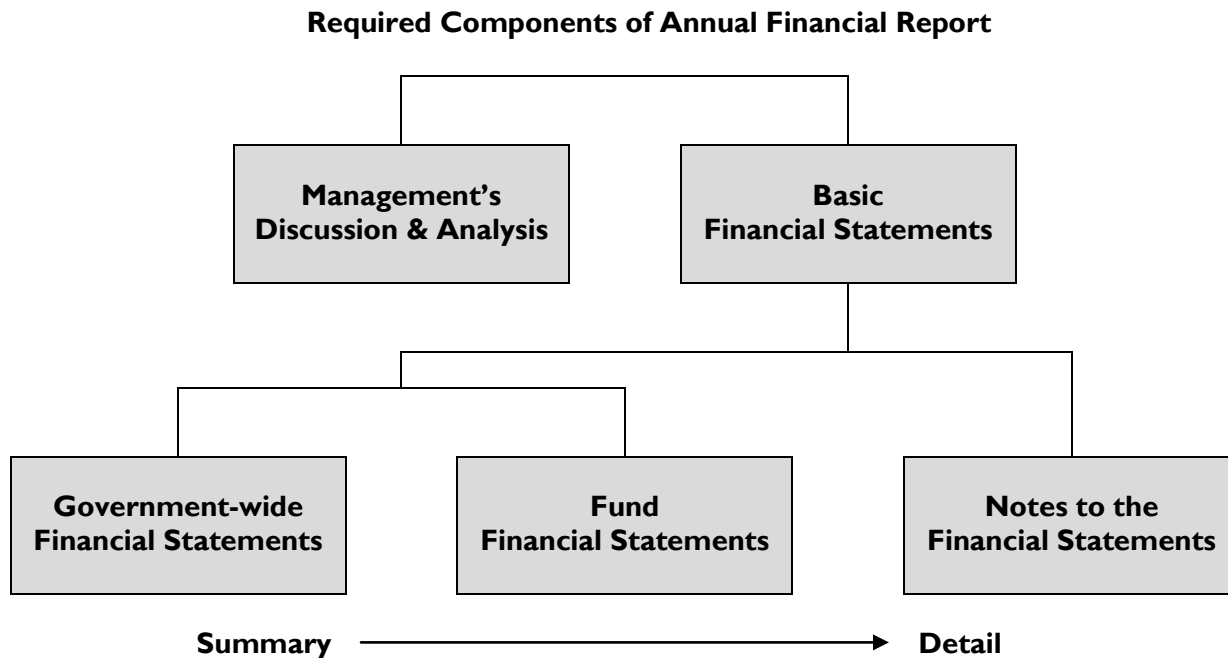
Highlights of the Town's fiscal year ended June 30, 2010, include:

- The financial highlight of the fiscal year was the weak economic recovery from the prior year's recession and the measures that were undertaken to deal with it. In fiscal year 2010, the management of the Town continued with many aspects of the Budget Savings Plan adopted in the fall of 2008 to manage potential reductions in revenues and to provide fund balance to ease the pressure on the next year's budget. The budget savings plan included a soft hiring freeze and required budgetary savings from Town departments. The Town also delayed the planned sale of bonds for a major library renovation and other capital projects.
- The strategies for dealing with the possibility of reduced revenues proved successful. With conservative budgeting of revenues and controls on spending, the Town of Chapel Hill's total assets increased by about \$1million to \$227.6 million. The increase is the result of savings realized through the budget savings plan highlighted above.
- At June 30, 2010, total net assets of \$164.2 million included \$118.5 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 million, a decrease of \$0.5 million in comparison with the prior year. The decrease in governmental funds is the purposeful result of the budget savings plan by using fund balance savings in FY09 to support operations in FY10.

Management's Discussion and Analysis

- Undesignated fund balance of the General Fund (totaling approximately \$10.14 million after \$5.06 million has been designated for the 2010-11 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 \$1.3 million to \$49.7 million because of the delay of new debt issuance and the payoff of existing debt. The Town sold general obligation bonds during the year to refund bonds issued in 1998 and 2000.
- Property taxes supported 40% of the governmental services to citizens and the community in fiscal year 2010.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements



Basic Financial Statements

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

Management's Discussion and Analysis

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Management's Discussion and Analysis

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 through 68 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 69 of this report.

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

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

Government-Wide Financial Analysis

Figure 2 below is a summary of net assets for the Town of Chapel Hill at June 30, 2010 (as shown in Exhibit 1) with comparative data from June 30, 2009.

Management's Discussion and Analysis

Town of Chapel Hill's Net Assets						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 41,319,752	\$ 43,202,012	\$ 17,003,536	\$ 13,629,739	\$ 58,323,288	\$ 56,831,751
Capital assets	112,635,231	114,593,013	56,652,462	55,178,369	169,287,693	169,771,382
Total assets	153,954,983	157,795,025	73,655,998	68,808,108	227,610,981	226,603,133
Current liabilities	10,737,630	14,373,831	2,942,726	2,057,964	13,680,356	16,431,795
Non-current liabilities	43,585,881	45,223,934	6,178,533	5,821,253	49,764,414	51,045,187
Total liabilities	54,323,511	59,597,765	9,121,259	7,879,217	63,444,770	67,476,982
Net assets:						
Invested in capital assets, net of related debt	65,504,936	61,447,706	51,757,462	50,013,369	117,262,398	111,461,075
Restricted for:						
Capital projects	71,107	84,128	-	-	71,107	84,128
Affordable housing	500,135	702,182	-	-	500,135	702,182
Public safety	271,151	250,822	-	-	271,151	250,822
Culture and recreation	359,797	441,557	-	-	359,797	441,557
Unrestricted	32,924,346	35,270,865	12,777,277	10,915,522	45,701,623	46,186,387
Total net assets	\$ 99,631,472	\$ 98,197,260	\$ 64,534,739	\$ 60,928,891	\$ 164,166,211	\$ 159,126,151

The assets of the Town of Chapel Hill exceeded liabilities by \$164 million as of June 30, 2010. The Town's net assets increased by \$5.04 million for the fiscal year, however, the largest portion (71.4%) of net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A portion of the Town of Chapel Hill's net assets (approximately \$1.2 million) represents resources that are subject to external restrictions on how they may be used. The total unrestricted net assets show a balance of \$45.7 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, 2010, with comparative data for June 30, 2009.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,875,775	\$ 5,626,136	\$ 5,221,661	\$ 4,934,828	\$ 10,097,436	\$ 10,560,964
Operating grants and contributions	4,536,129	4,592,770	15,400,822	14,302,498	19,936,951	18,895,268
Capital grants and contributions	6,797,577	8,331,927	5,665,439	6,845,483	12,463,016	15,177,410
General revenues:						
Taxes	41,784,629	41,200,989	2,890,870	2,801,353	44,675,499	44,002,342
Grants and contributions not restricted to specific programs	3,708,032	3,831,599	-	-	3,708,032	3,831,599
Investment earnings	88,220	261,025	36,054	66,369	124,274	327,394
Other	1,293,759	1,191,127	38,779	33,270	1,332,538	1,224,397
Total revenues	63,084,121	65,035,573	29,253,625	28,983,801	92,337,746	94,019,374
Expenses:						
General government	7,447,434	7,750,437	-	-	7,447,434	7,750,437
Environment and development	22,960,472	24,840,378	-	-	22,960,472	24,840,378
Public safety	19,932,175	19,536,555	-	-	19,932,175	19,536,555
Leisure activities	9,685,124	8,668,206	-	-	9,685,124	8,668,206
Interest expense	1,991,035	1,969,585	-	-	1,991,035	1,969,585
Transportation	-	-	19,829,286	18,366,495	19,829,286	18,366,495
Parking facilities	-	-	1,776,168	1,736,772	1,776,168	1,736,772
Stormwater management	-	-	1,618,926	1,635,510	1,618,926	1,635,510
Housing operations	-	-	2,057,066	2,276,917	2,057,066	2,276,917
Total expenses	62,016,240	62,765,161	25,281,446	24,015,694	87,297,686	86,780,855
Increase (decrease) in net assets before transfers	1,067,881	2,270,412	3,972,179	4,968,107	5,040,060	7,238,519
Transfers	366,331	944,494	(366,331)	(944,494)	-	-
Increase (decrease) in net assets	1,434,212	3,214,906	3,605,848	4,023,613	5,040,060	7,238,519
Net assets, July 1	98,197,260	94,982,354	60,928,891	56,905,278	159,126,151	151,887,632
Net assets, June 30	\$ 99,631,472	\$ 98,197,260	\$ 64,534,739	\$ 60,928,891	\$ 164,166,211	\$ 159,126,151

Governmental activities. Governmental activities show an increase in net assets of about \$1.4 million. The increase is principally due to the completion of construction projects like ARRA-funded pedestrian amenities, small Parks lighting and other sidewalk and Parks projects.

Business-type activities: Business-type activities increased Chapel Hill's net assets by \$3.6 million. The increase in net assets comes primarily from the Transit Fund where capital contributions from capital grants totaled \$5.5 million. The Parking Facilities Fund and the Stormwater Management Fund

Management's Discussion and Analysis

had modest increases in net assets as a result of operations, while the Housing Operating Fund had a small decrease.

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, 2010, the governmental funds of Chapel Hill reported a combined fund balance of \$32 million, a 1.63% decrease from last year. This change is largely the result of the delay in receipt of grant funds for capital projects that are under way.

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 \$15.2 million, of which nearly \$10.14 million is undesignated, while total fund balance reached \$21.5 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 21.4%, and total fund balance, which includes reserves and designated amounts, represents 45.6% of total 2009-10 General Fund expenditures and other uses, respectively. The total fund balance increased by nearly about \$259,000. 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 \$470,000 more than budgeted. Sales taxes receipts were budgeted conservatively, and were \$104,000 over budget. Property tax receipts were resilient to the economic downturn and exceeded budget by \$518,000 in the year, the first year of a new valuation. Development-related income was affected by the economy, with Licenses and Permits \$119,000 under budget and Occupancy taxes \$143,000 under budget. Other revenue sources slightly exceeded budget, including utility franchise taxes and recreation fees with the first full year's operation of the Homestead Aquatics Center.

Expenditures were about \$5.1 million less than budgeted. The underexpenditure primarily reflects efforts by Town departments to conserve or curtail spending in response to the economic downturn. In addition to the reduction in spending, the delayed hiring of open positions and other cost-cutting measures, departmental budgets benefitted from the more stable fuel prices experienced during the year. The Public Works budget benefitted from another fairly mild winter during 2009-10, reducing requirements for road clearing, debris cleanup and heating of buildings. About \$1.6 million of budget over actual expenditures represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual

Management's Discussion and Analysis

revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Enterprise Funds at the end of the fiscal year were \$6.6 million for the Transit Fund, \$3.2 million for the Parking Facilities Fund, \$1.8 million for the Housing Operating Fund and \$1.2 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, 2010, capital assets totaled \$169,288,000 compared with \$169,772,000 in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

Town of Chapel Hill Capital Assets (net of depreciation) Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 26,925,348	\$ 26,245,958	\$ 6,551,034	\$ 6,551,034	\$ 33,476,382	\$ 32,796,992
Land improvements	11,630,386	10,790,965	3,315,223	3,496,450	14,945,609	14,287,415
Infrastructure	18,382,396	19,337,654	-	-	18,382,396	19,337,654
Buildings and building improvements	44,763,184	47,225,057	24,443,719	25,998,424	69,206,903	73,223,481
Equipment	930,561	812,360	1,102,516	1,318,474	2,033,077	2,130,834
Vehicles	4,409,096	5,002,013	20,588,253	17,723,386	24,997,349	22,725,399
Construction in progress	5,594,260	5,179,006	651,717	90,601	6,245,977	5,269,607
Total	\$ 112,635,231	\$ 114,593,013	\$ 56,652,462	\$ 55,178,369	\$ 169,287,693	\$ 169,771,382

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

- \$ 542,886 for Parks lighting;
- \$ 316,339 for ARRA-funded pedestrian islands;
- \$ 397,709 for work on Morgan Creek Trail;
- \$ 225,407 for work on Bolin Creek restoration;
- \$ 149,141 for Public Housing renovations;
- \$ 118,703 for Public Housing Section 104 compliance improvements;
- \$ 561,116 on Burning Tree Drive drainage improvements.

Management's Discussion and Analysis

No major demolitions were recorded this year.

Additional information on the Town's capital assets can be found on pages 48-52 of the Notes to the Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 15,285,000	\$ 17,415,000	\$ -	\$ -	\$ 15,285,000	\$ 17,415,000
Bond premium	1,112,563	1,186,733	-	-	1,112,563	1,186,733
Bond discount	(128,764)	(137,348)	-	-	(128,764)	(137,348)
Installment notes payable	7,484,449	7,355,887	-	-	7,484,449	7,355,887
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	254,773	280,611	-	-	254,773	280,611
Compensated absences	2,275,091	2,191,560	628,461	651,181	2,903,552	2,842,741
Other postemployment benefits	3,050,313	1,483,973	1,528,564	820,816	4,578,877	2,304,789
Certificates of participation	20,405,000	21,770,000	4,895,000	5,165,000	25,300,000	26,935,000
Total	\$ 49,861,571	\$ 51,669,562	\$ 7,052,025	\$ 6,636,997	\$ 56,913,596	\$ 58,306,559

Long-term Debt. As shown in Figure 5 above, as of June 30, 2010 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$15,285,000. The Town also had \$20,405,000 of debt in certificates of participation to fund construction of the Town Operations Center and \$4,895,000 for the construction of the Wallace Parking Deck. Total debt of about \$56.9 million includes the addition of other postemployment benefits totaling \$4.6 million as required by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 65 of the Notes to the Financial Statements.

The Town's total debt from governmental activities decreased by \$1.8 million or 3.4%, to \$49.9 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 \$415,000 to just over \$7 million, based on an increase in the Town's liability for compensated absences and for the addition of postemployment benefits. During the year, the Town issued general obligation bonds to refund bonds issued in 1998 and 2000, and added installment financing for vehicle replacement of \$1.6 million. 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, 2010 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation.

Management's Discussion and Analysis

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 \$528 million, well above the town's outstanding debt for general obligation bonds of approximately \$15.3 million, which is about 2.7% 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 53 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, 2010, well below the state average of 10%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.
- Although with a higher concentration of smaller projects, the Town saw an increase in the number of building permits issued in FY10.

Budget Highlights for the Fiscal Year Ending June 30, 2011

Governmental Activities:

General Fund revenues budgeted for FY11 total \$52.6 million, including the use of \$5.06 million in fund balance, reflecting an increase of 5.6% from the budget for 2009-10. Property values were reassessed by Orange County in 2009, and the Town adopted a revenue-neutral property tax rate for the General Fund 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 growth, General Fund property taxes are expected to increase 2.1% or \$514,000 over 2009-10.

Sales taxes are budgeted at \$9.055million, a 4.6% increase from 2009-10's budget as we anticipate a slow but steady recovery. Other General Fund revenues are relatively flat, with the exception of development related permits and fees, which are budgeted at a 4.5% increase in anticipation of development review and inspections permits to be issued related to large developments in Town that had been stalled, but are expected to resume with the recovering economy.

General Fund expenditures of \$52.6 million represent a 5.6% increase from 2009-10. The goals of the budget for 2010-11 were to maintain core services, to retain employees and to use fund balance over 15% for one-time costs. The budget maintains service levels and includes increases in medical insurance coverage of 13.9% and a 32% increase in the employer's contribution to the Local Government Employees Retirement System. In keeping with the principal of using fund balance for one-time costs, the budget includes a one-time payment of \$800 for employees, similar to a bonus.

Management's Discussion and Analysis

Fund balance also provides for an increase in the allocation for capital improvements, which had been reduced in recent years as a budget saving measure. The allocation of \$1.17 million will allow for capital maintenance and minimal levels of facility improvements.

Debt service costs in 2010-11 are budgeted at \$5.1 million. In 2008-09, a portion of the property tax rate was dedicated to the Debt Fund for the first time, and a continuation of the tax rate of 9.3 percent is expected to generate about \$6.5 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 2010-11 include the construction of a fiber optic network, the purchase of a reserve fire truck, and the purchase of replacement buses by the Transit Grant special revenue fund with the help of federal and state grants.

Business – type Activities:

The Town continued the policy of providing fare-free service for most transit services. The 2010-11 budget for the Transit Fund increased by \$799,000 or 4.8% over 2009-10. 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 decrease approximately 4.8% overall in 2010-11. Both the anticipated closing of Lot 5 for development of a mixed-use project and the implementation of a courtesy ticket program are expected to generate less revenue in 2010-11.

Housing Operating revenues and expenditures are flat, with an increase in the budget for HUD contributions allowing us to eliminate the subsidy of a transfer from the General Fund in 2010-11.

Stormwater Management's budget for 2010-11 reflects the continuation of steady revenues at \$1.7 million for stormwater fees. The expenditure budget is nearly flat, yet provides for \$175,000 in capital drainage projects and requires the use of \$363,500 of fund balance.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Business Management, Town of Chapel Hill, 405 Martin Luther King Jr. Boulevard, Chapel Hill, NC 27514.

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STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 27,911,729	\$ 13,327,301	\$ 41,239,030	\$ 13,851,271
Taxes receivable, net	500,283	78,307	578,590	-
Accounts receivable, net	176,414	159,021	335,435	4,670,777
Due from other governments	5,369,581	2,471,871	7,841,452	-
Inventories	157,598	679,513	837,111	780,716
Prepaid items	1,165	1,930	3,095	16,669
Restricted cash and cash equivalents	1,990,441	61,760	2,052,201	7,111,172
Total current assets	<u>36,107,211</u>	<u>16,779,703</u>	<u>52,886,914</u>	<u>26,430,605</u>
Non-current assets:				
Restricted cash and cash equivalents	5,212,541	-	5,212,541	1,252,498
Deferred charges	-	223,833	223,833	856,882
Capital assets (Note F):				
Land and construction in progress	32,519,608	7,202,751	39,722,359	33,963,724
Other capital assets, net of accumulated depreciation	80,115,623	49,449,711	129,565,334	255,970,716
Total capital assets	<u>112,635,231</u>	<u>56,652,462</u>	<u>169,287,693</u>	<u>289,934,440</u>
Total non-current assets	<u>117,847,772</u>	<u>56,876,295</u>	<u>174,724,067</u>	<u>292,043,820</u>
Total assets	<u>153,954,983</u>	<u>73,655,998</u>	<u>227,610,981</u>	<u>318,474,425</u>
LIABILITIES				
Current liabilities:				
Internal balances	(225,731)	225,731	-	-
Accounts payable and accrued liabilities	4,244,274	1,208,803	5,453,077	2,672,177
Customer deposits	176,558	61,760	238,318	-
Unearned revenue	266,839	572,940	839,779	-
Liabilities payable from restricted assets	-	-	-	1,879,564
Current portion of long-term liabilities	6,275,690	873,492	7,149,182	5,249,623
Total current liabilities	<u>10,737,630</u>	<u>2,942,726</u>	<u>13,680,356</u>	<u>9,801,364</u>
Non-current liabilities:				
Due in more than one year	43,585,881	6,178,533	49,764,414	98,199,598
Total liabilities	<u>54,323,511</u>	<u>9,121,259</u>	<u>63,444,770</u>	<u>108,000,962</u>
NET ASSETS				
Invested in capital assets, net of debt	65,504,936	51,757,462	117,262,398	188,106,716
Restricted for:				
Capital projects	71,107	-	71,107	-
Affordable housing	500,135	-	500,135	-
Public safety	271,151	-	271,151	-
Culture and recreation	359,797	-	359,797	-
Water and sewer	-	-	-	1,253,614
Unrestricted	32,924,346	12,777,277	45,701,623	21,113,133
Total net assets	<u>\$ 99,631,472</u>	<u>\$ 64,534,739</u>	<u>\$ 164,166,211</u>	<u>\$ 210,473,463</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, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 7,447,434	\$ 1,741,760	\$ -
Environment and development	22,960,472	2,098,051	2,317,442
Public safety	19,932,175	130,338	1,842,949
Leisure activities	9,685,124	905,626	375,738
Interest expense	1,991,035	-	-
Total governmental activities	62,016,240	4,875,775	4,536,129
Business-type activities:			
Transportation	19,829,286	1,129,028	13,909,345
Parking Facilities	1,776,168	1,921,724	-
Housing Operations	2,057,066	402,701	1,491,477
Stormwater Management	1,618,926	1,768,208	-
Total business-type activities	25,281,446	5,221,661	15,400,822
Total primary government	\$ 87,297,686	\$ 10,097,436	\$ 19,936,951
Component unit - Orange Water and Sewer Authority	\$ 29,455,212	\$ 33,558,772	\$ -

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.

Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (5,705,674)	\$ -	\$ (5,705,674)	\$ -
6,797,577	(11,747,402)	-	(11,747,402)	-
-	(17,958,888)	-	(17,958,888)	-
-	(8,403,760)	-	(8,403,760)	-
-	(1,991,035)	-	(1,991,035)	-
<u>6,797,577</u>	<u>(45,806,759)</u>	<u>-</u>	<u>(45,806,759)</u>	<u>-</u>
5,665,439	-	874,526	874,526	-
-	-	145,556	145,556	-
-	-	(162,888)	(162,888)	-
-	-	149,282	149,282	-
<u>5,665,439</u>	<u>-</u>	<u>1,006,476</u>	<u>1,006,476</u>	<u>-</u>
<u>\$ 12,463,016</u>	<u>(45,806,759)</u>	<u>1,006,476</u>	<u>(44,800,283)</u>	<u>-</u>
<u>\$ 4,064,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,167,995</u>
	32,171,735	2,890,870	35,062,605	-
	8,765,035	-	8,765,035	-
	806,686	-	806,686	-
	41,173	-	41,173	-
	3,708,032	-	3,708,032	-
	88,220	36,054	124,274	29,169
	1,293,759	38,779	1,332,538	1,436,564
	366,331	(366,331)	-	-
	<u>47,240,971</u>	<u>2,599,372</u>	<u>49,840,343</u>	<u>1,465,733</u>
	1,434,212	3,605,848	5,040,060	9,633,728
	98,197,260	60,928,891	159,126,151	200,839,735
	<u>\$ 99,631,472</u>	<u>\$ 64,534,739</u>	<u>\$ 164,166,211</u>	<u>\$ 210,473,463</u>

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MAJOR FUNDS

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

GOVERNMENTAL FUNDS

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

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

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

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

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

BUSINESS-TYPE FUNDS

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

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

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

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

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

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 20,634,967	\$ 1,546,092	\$ 1,388,011	\$ 2,200,787	\$ 25,769,857
Receivables:					
Due from other funds	404,846	-	-	-	404,846
Property taxes, net	444,175	52,415	-	3,693	500,283
Governmental units and agencies	3,770,414	518	1,125,961	472,688	5,369,581
Other	118,905	-	-	-	118,905
Inventories	3,376	-	-	16,538	19,914
Prepaid items	1,012	-	-	153	1,165
Restricted cash and equivalents	-	-	4,584,533	628,008	5,212,541
TOTAL ASSETS	25,377,695	1,599,025	7,098,505	3,321,867	37,397,092
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 166,420	\$ 166,420
Accounts payable	1,236,420	-	279,392	315,199	1,831,011
Accrued liabilities	1,785,313	-	1,103	56,922	1,843,338
Deferred revenue	496,984	52,415	519,550	3,694	1,072,643
Unearned revenue	141,344	-	71,107	54,388	266,839
Deposits	165,332	-	-	11,226	176,558
Total liabilities	3,825,393	52,415	871,152	607,849	5,356,809

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Reserved:					
Reserved for encumbrances	\$ 1,596,820	\$ -	\$ -	\$ 672,014	\$ 2,268,834
Reserved by State statute	4,241,356	-	-	208,310	4,449,666
Reserved for capital improvements	187,815	-	4,839,342	213,630	5,240,787
Reserved for police	215,867	-	-	-	215,867
Reserved for Cal Horton Award	101,136	-	-	-	101,136
Reserved for inventories	3,376	-	-	16,538	19,914
Reserved for prepaid items	1,012	-	-	-	1,012
Reserved for debt service	-	1,546,610	-	-	1,546,610
Reserved for community development	-	-	-	104,905	104,905
Reserved for land in trust	-	-	-	30,287	30,287
Reserved for aid to library operations	-	-	-	258,661	258,661
Unreserved:					
Designated for subsequent year's expenditures, reported in:					
General fund	5,064,230	-	-	-	5,064,230
Special revenue funds	-	-	-	960	960
Undesignated:					
General fund	10,140,690	-	-	-	10,140,690
Special revenue funds	-	-	-	223,367	223,367
Capital project funds	-	-	1,388,011	985,346	2,373,357
Total fund balances	<u>21,552,302</u>	<u>1,546,610</u>	<u>6,227,353</u>	<u>2,714,018</u>	<u>32,040,283</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,377,695</u>	<u>\$ 1,599,025</u>	<u>\$ 7,098,505</u>	<u>\$ 3,321,867</u>	<u>\$ 37,397,092</u>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Fund balances - total governmental funds \$ 32,040,283

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	152,717,844	
Less accumulated depreciation	<u>44,359,985</u>	108,357,859

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	(38,520,000)	
Other postemployment benefits	(2,998,953)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(254,773)	
Accrued vacation payable	(2,242,755)	
Bond premium	(1,112,563)	
Bond discount	<u>128,764</u>	(45,123,426)

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements 1,072,643

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

The assets and liabilities of the internal service funds that are reported within governmental activities		<u>3,284,113</u>
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Net assets of governmental activities \$ 99,631,472

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, 2010

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
REVENUES					
Taxes	\$ 35,101,573	\$ 6,518,784	\$ -	\$ 164,272	\$ 41,784,629
Licenses and permits	1,765,769	-	-	-	1,765,769
Fines and forfeitures	30,219	-	-	-	30,219
Intergovernmental revenues					
Federal government	5,102	-	509,333	7,146,691	7,661,126
State government	6,312,549	-	43,270	494,384	6,850,203
Other	343,893	-	15,000	171,516	530,409
Charges for services	2,765,026	-	14,550	52,741	2,832,317
Interest on investments	61,241	5,686	11,908	9,385	88,220
Franchise rental fees	-	-	-	53,163	53,163
Program income	-	-	-	194,307	194,307
Donations	100,000	-	-	194,015	294,015
Revenue in lieu	-	-	22,524	5,000	27,524
Other	699,136	-	-	6,501	705,637
Total revenues	47,184,508	6,524,470	616,585	8,491,975	62,817,538
EXPENDITURES					
General government	7,337,428	-	-	-	7,337,428
Environment and development	12,594,140	-	-	8,264,403	20,858,543
Public safety	18,170,151	-	-	912,238	19,082,389
Leisure activities	8,024,020	-	-	14,518	8,038,538
Capital projects	-	-	2,195,568	583,042	2,778,610
Debt service:					
Principal	-	8,520,000	-	-	8,520,000
Interest and fiscal charges	-	1,912,679	-	-	1,912,679
Bond issuance costs	-	78,356	-	-	78,356
Total expenditures	46,125,739	10,511,035	2,195,568	9,774,201	68,606,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,058,769	(3,986,565)	(1,578,983)	(1,282,226)	(5,789,005)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)					
Issuance of debt	\$ -	\$ 4,490,000	\$ -	\$ -	\$ 4,490,000
Premium on debt	-	-	266,583	-	266,583
Transfer from other funds	375,687	-	478,569	1,193,654	2,047,910
Transfer to other funds	(1,175,681)	-	-	(372,784)	(1,548,465)
Total other financing sources (uses)	<u>(799,994)</u>	<u>4,490,000</u>	<u>745,152</u>	<u>820,870</u>	<u>5,256,028</u>
NET CHANGE IN TOTAL FUND BALANCES	258,775	503,435	(833,831)	(461,356)	(532,977)
FUND BALANCES, BEGINNING	<u>21,293,527</u>	<u>1,043,175</u>	<u>7,061,184</u>	<u>3,175,374</u>	<u>32,573,260</u>
FUND BALANCES, ENDING	<u>\$ 21,552,302</u>	<u>\$ 1,546,610</u>	<u>\$ 6,227,353</u>	<u>\$ 2,714,018</u>	<u>\$ 32,040,283</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

Exhibit 6

GOVERNMENTAL FUNDS

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds (532,977)

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	3,604,902	
Current year's depreciation	<u>5,065,366</u>	(1,460,464)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets. (355)

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		8,520,000
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The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net assets. (4,490,000)

The amortization of bond premium in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities. 74,170

The amortization of bond discount in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of activities. (8,584)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds

Change in long-term compensated absences		(71,155)
Change in long-term separation allowance		25,838
Other postemployment benefits		(1,545,912)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 804,349

Internal service funds are used by management to charge the costs of certain activities to individual funds 119,302

Change in net assets of governmental activities \$ 1,434,212

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

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 24,971,000	\$ 24,971,000	\$ 25,488,679	\$ 517,679
Local option sales taxes	8,660,730	8,660,730	8,765,035	104,305
Other taxes	989,500	989,500	847,859	(141,641)
Licenses and permits	1,678,600	1,884,931	1,765,769	(119,162)
Fines and forfeitures	33,500	33,500	30,219	(3,281)
Intergovernmental revenues	6,567,600	6,571,100	6,661,544	90,444
Charges for services	2,744,146	2,744,146	2,765,026	20,880
Interest on investments	100,000	100,000	61,241	(38,759)
Other	716,117	759,646	799,136	39,490
TOTAL REVENUES	46,461,193	46,714,553	47,184,508	469,955
EXPENDITURES				
General government	7,987,025	9,316,905	7,337,428	1,979,477
Environment and development	13,357,480	13,987,229	12,594,140	1,393,089
Public safety	19,434,467	19,517,267	18,170,151	1,347,116
Leisure activities	8,197,928	8,441,986	8,024,020	417,966
Total expenditures	48,976,900	51,263,387	46,125,739	5,137,648
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,515,707)	(4,548,834)	1,058,769	5,607,603
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	220,434	339,649	375,687	36,038
Transfer to other funds	(839,100)	(1,554,983)	(1,175,681)	379,302
Appropriated fund balance	3,134,373	5,764,168	-	(5,764,168)
Total other financing sources (uses)	2,515,707	4,548,834	(799,994)	(5,348,828)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ 258,775	\$ 258,775
FUND BALANCE, BEGINNING			21,293,527	
FUND BALANCE, ENDING			\$ 21,552,302	

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,531,798	\$ 3,209,314	\$ 2,115,469	\$ 1,470,720
Restricted cash and cash equivalents	-	-	61,760	-
Receivables:				
Accounts receivable, net	33,087	16,077	28,598	81,259
Due from other funds	31,405	-	-	-
Governmental units and agencies	2,467,201	-	-	4,670
Property taxes, net	78,307	-	-	-
Prepaid items	125	-	-	1,805
Inventories	496,946	-	182,567	-
Total current assets	<u>9,638,869</u>	<u>3,225,391</u>	<u>2,388,394</u>	<u>1,558,454</u>
NONCURRENT ASSETS				
Restricted assets:				
Deferred charges	-	223,833	-	-
Capital assets:				
Land and other non-depreciable assets	2,099,537	2,749,838	1,701,659	651,717
Other capital assets, net of accumulated depreciation	39,733,656	1,701,772	7,901,445	112,838
Total capital assets, net	<u>41,833,193</u>	<u>4,451,610</u>	<u>9,603,104</u>	<u>764,555</u>
Total noncurrent assets	<u>41,833,193</u>	<u>4,675,443</u>	<u>9,603,104</u>	<u>764,555</u>
TOTAL ASSETS	<u>51,472,062</u>	<u>7,900,834</u>	<u>11,991,498</u>	<u>2,323,009</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	306,505	18,522	55,345	150,559
Accrued liabilities	544,252	35,360	44,748	53,512
Customer deposits	-	-	61,760	-
Due to other funds	-	-	257,136	-
Compensated absences	456,162	36,426	64,497	36,407
Unearned revenue	564,015	8,925	-	-
Installment purchase agreements	-	-	-	-
Certificates of participation	-	280,000	-	-
Total current liabilities	<u>1,870,934</u>	<u>379,233</u>	<u>483,486</u>	<u>240,478</u>
NONCURRENT LIABILITIES				
Compensated absences	17,909	-	-	17,060
Other postemployment benefits	1,180,344	116,332	121,644	110,244
Installment purchase agreements	-	-	-	-
Certificates of participation	-	4,615,000	-	-
Total noncurrent liabilities	<u>1,198,253</u>	<u>4,731,332</u>	<u>121,644</u>	<u>127,304</u>
Total liabilities	<u>3,069,187</u>	<u>5,110,565</u>	<u>605,130</u>	<u>367,782</u>
NET ASSETS				
Invested in capital assets, net of related debt	41,833,193	(443,390)	9,603,104	764,555
Unrestricted	6,569,682	3,233,659	1,783,264	1,190,672
Total net assets	<u>\$ 48,402,875</u>	<u>\$ 2,790,269</u>	<u>\$ 11,386,368</u>	<u>\$ 1,955,227</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2010	2009	2010	2009
\$ 13,327,301	\$ 9,929,243	\$ 2,141,872	\$ 2,004,346
61,760	57,035	1,990,441	784,230
159,021	2,676,805	57,509	-
31,405	161,601	-	-
2,471,871	-	-	-
78,307	-	-	-
1,930	-	-	-
679,513	725,823	137,684	158,018
<u>16,811,108</u>	<u>13,550,507</u>	<u>4,327,506</u>	<u>2,946,594</u>
223,833	240,833	-	-
7,202,751	6,641,635	-	-
<u>49,449,711</u>	<u>48,536,734</u>	<u>4,277,372</u>	<u>4,774,335</u>
<u>56,652,462</u>	<u>55,178,369</u>	<u>4,277,372</u>	<u>4,774,335</u>
<u>56,876,295</u>	<u>55,419,202</u>	<u>4,277,372</u>	<u>4,774,335</u>
<u>73,687,403</u>	<u>68,969,709</u>	<u>8,604,878</u>	<u>7,720,929</u>
530,931	293,705	541,257	485,385
677,872	566,626	28,668	28,954
61,760	-	-	-
257,136	29,396	12,695	-
593,492	545,744	15,260	19,960
572,940	514,094	-	-
-	-	1,096,150	921,022
280,000	270,000	-	-
<u>2,974,131</u>	<u>2,219,565</u>	<u>1,694,030</u>	<u>1,455,321</u>
34,969	105,437	17,076	-
1,528,564	820,816	51,360	30,932
-	-	3,558,299	3,069,865
<u>4,615,000</u>	<u>4,895,000</u>	<u>-</u>	<u>-</u>
<u>6,178,533</u>	<u>5,821,253</u>	<u>3,626,735</u>	<u>3,100,797</u>
<u>9,152,664</u>	<u>8,040,818</u>	<u>5,320,765</u>	<u>4,556,118</u>
51,757,462	50,013,369	1,613,364	1,567,678
<u>12,777,277</u>	<u>10,915,522</u>	<u>1,670,749</u>	<u>1,597,133</u>
<u>\$ 64,534,739</u>	<u>\$ 60,928,891</u>	<u>\$ 3,284,113</u>	<u>\$ 3,164,811</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 736,351	\$ 1,921,724	\$ 402,701	\$ 1,768,208
OPERATING EXPENSES				
Personnel	11,136,814	739,478	901,007	1,020,484
Drainage maintenance	-	-	-	218,574
Depreciation and amortization	3,925,862	386,187	517,800	7,460
Fuel and tires	1,205,772	-	-	-
Indirect costs	1,026,266	71,988	-	96,447
Maintenance and repairs	1,275,463	-	314,380	-
Building maintenance	427,794	-	-	-
Utilities	-	-	153,812	-
Insurance	348,489	-	-	-
Marketing	30,356	-	-	-
Consulting	-	-	-	94,638
Tarheel Express	50,166	-	-	-
Uniforms and supplies	156,519	-	-	-
Other	245,785	389,907	170,067	181,323
Total operating expenses	19,829,286	1,587,560	2,057,066	1,618,926
OPERATING INCOME (LOSS)	(19,092,935)	334,164	(1,654,365)	149,282
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	3,477,686	-	1,491,477	-
State Operating Assistance Grant	3,570,322	-	-	-
Operating assistance-UNC Chapel Hill	5,828,502	-	-	-
Operating assistance-Town of Carrboro	1,032,835	-	-	-
Vehicle licenses	392,677	-	-	-
Ad valorem taxes	2,890,870	-	-	-
Interest on investments	15,277	9,941	5,373	5,463
Insurance claims	-	-	-	-
Interest expense	-	(188,608)	-	-
Gain on sale of capital assets	34,779	-	-	-
Bond issuance expense	-	(17,000)	-	-
Revenue in lieu	21,000	-	-	-
Total nonoperating revenues (expenses), net	17,263,948	(195,667)	1,496,850	5,463
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,828,987)	138,497	(157,515)	154,745
CAPITAL CONTRIBUTIONS	5,546,736	-	118,703	-
TRANSFERS				
Transfers in	175,843	-	-	4,877
Transfers out	(498,693)	(48,358)	-	-
Total transfers	(322,850)	(48,358)	-	4,877
CHANGE IN NET ASSETS	3,394,899	90,139	(38,812)	159,622
NET ASSETS, BEGINNING	45,007,976	2,700,130	11,425,180	1,795,605
NET ASSETS, ENDING	\$ 48,402,875	\$ 2,790,269	\$ 11,386,368	\$ 1,955,227

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2010	2009	2010	2009
\$ 4,828,984	\$ 4,789,555	\$ 2,873,669	\$ 2,758,316
13,797,783	13,261,327	624,852	572,169
218,574	205,716	-	-
4,837,309	4,304,677	1,246,653	1,132,619
1,205,772	1,445,689	-	-
1,194,701	1,128,839	-	-
1,589,843	1,688,560	-	-
427,794	-	-	-
153,812	-	-	-
348,489	364,340	-	-
30,356	47,728	-	-
94,638	198,792	-	-
50,166	33,665	-	-
156,519	72,583	-	-
987,082	1,065,273	657,393	574,596
25,092,838	23,817,189	2,528,898	2,279,384
(20,263,854)	(19,027,634)	344,771	478,932
4,969,163	3,786,909	-	-
3,570,322	3,319,737	-	-
5,828,502	6,120,572	-	-
1,032,835	1,075,280	-	-
392,677	145,273	-	-
2,890,870	2,801,353	-	-
36,054	66,369	6,742	16,431
-	-	3,613	7,157
(188,608)	(198,505)	(122,808)	(160,793)
34,779	24,580	20,098	162,365
(17,000)	(17,000)	-	-
21,000	25,690	-	-
18,570,594	17,150,258	(92,355)	25,160
(1,693,260)	(1,877,376)	252,416	504,092
5,665,439	6,845,483	-	-
180,720	702,171	4,240	162,668
(547,051)	(1,646,665)	(137,354)	-
(366,331)	(944,494)	(133,114)	162,668
3,605,848	4,023,613	119,302	666,760
60,928,891	56,905,278	3,164,811	2,498,051
\$ 64,534,739	\$ 60,928,891	\$ 3,284,113	\$ 3,164,811

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 714,542	\$ 1,920,901	\$ 598,372	\$ 1,754,731
Payments to employees	(10,416,699)	(709,414)	(866,123)	(950,427)
Payments to suppliers	(4,504,640)	(468,535)	(482,748)	(492,477)
Net cash provided by (used in) operating activities	<u>(14,206,797)</u>	<u>742,952</u>	<u>(750,499)</u>	<u>311,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grant funds received	7,048,008	-	1,491,477	-
Operating assistance received	6,861,337	-	-	-
Taxes and licenses received	3,283,547	-	-	-
Transfers to other funds	(498,693)	(48,358)	-	-
Transfers from other funds	175,843	-	-	4,877
Revenue in lieu received	21,000	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>16,891,042</u>	<u>(48,358)</u>	<u>1,491,477</u>	<u>4,877</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	(270,000)	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	(188,608)	-	-
Disposal of capital assets	34,779	-	-	-
Capital contributions	5,546,736	-	118,703	-
Proceeds from insurance recovery	-	-	-	-
Acquisition and construction of capital assets	(5,546,736)	-	(118,703)	(645,963)
Net cash provided by (used in) capital and related financing activities	<u>34,779</u>	<u>(458,608)</u>	<u>-</u>	<u>(645,963)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	15,277	9,941	5,373	5,463
Net cash provided by investing activities	<u>15,277</u>	<u>9,941</u>	<u>5,373</u>	<u>5,463</u>

Continued

Enterprise Funds		Internal Service Funds	
Comparative Totals		Comparative Totals	
2010	2009	2010	2009
\$ 4,988,546	\$ 2,691,775	\$ 2,816,160	\$ 2,760,126
(12,942,663)	(12,326,602)	(579,639)	(549,232)
(5,948,400)	(6,345,567)	(581,187)	(214,541)
(13,902,517)	(15,980,394)	1,655,334	1,996,353
8,539,485	7,106,646	-	-
6,861,337	7,195,852	-	-
3,283,547	2,946,626	-	-
(547,051)	(1,646,665)	(137,354)	-
180,720	702,171	4,240	162,668
21,000	25,690	-	-
18,339,038	16,330,320	(133,114)	162,668
-	-	1,604,000	-
(270,000)	(265,000)	(940,438)	(1,189,420)
(188,608)	(198,505)	(122,808)	(160,793)
34,779	24,580	20,098	166,475
5,665,439	6,845,483	-	-
-	-	3,613	7,157
(6,311,402)	(6,915,541)	(749,690)	(1,495,634)
(1,069,792)	(508,983)	(185,225)	(2,672,215)
36,054	66,369	6,742	16,431
36,054	66,369	6,742	16,431

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	2,734,301	245,927	746,351	(323,796)
CASH AND INVESTMENTS, BEGINNING	3,797,497	2,963,387	1,430,878	1,794,516
CASH AND INVESTMENTS, ENDING	<u>\$ 6,531,798</u>	<u>\$ 3,209,314</u>	<u>\$ 2,177,229</u>	<u>\$ 1,470,720</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (19,092,935)	\$ 334,164	\$ (1,654,365)	\$ 149,282
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,925,862	386,187	517,800	7,460
Changes in assets and liabilities:				
Receivables	(21,809)	(823)	133,911	(13,477)
Prepaid items	(125)	-	-	(1,805)
Inventories	72,047	-	(25,737)	-
Accounts payable	190,048	(6,640)	181,248	100,310
Accrued liabilities	175,269	(1,964)	(1,857)	(1,356)
Customer deposits	-	-	61,760	-
Accrued compensated absences	(14,898)	(4,909)	(14,592)	11,709
Accrued OPEB liability	559,744	36,937	51,333	59,704
Net cash provided by (used in) operating activities	<u>\$ (14,206,797)</u>	<u>\$ 742,952</u>	<u>\$ (750,499)</u>	<u>\$ 311,827</u>

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

Exhibit 10

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2010	2009	2010	2009
3,402,783	(92,688)	1,343,737	(496,763)
9,986,278	10,078,966	2,788,576	3,285,339
<u>\$ 13,389,061</u>	<u>\$ 9,986,278</u>	<u>\$ 4,132,313</u>	<u>\$ 2,788,576</u>
\$ (20,263,854)	\$ (19,027,634)	\$ 344,771	\$ 478,932
4,837,309	4,304,677	1,246,653	1,132,619
97,802	(2,097,780)	(57,509)	1,810
(1,930)	3,942	-	5,900
46,310	76,249	20,334	(2,167)
464,966	(174,573)	55,872	356,322
170,092	42,848	(7,551)	(7,995)
61,760	-	-	-
(22,690)	71,061	32,116	-
<u>707,718</u>	<u>820,816</u>	<u>20,648</u>	<u>30,932</u>
<u>\$ (13,902,517)</u>	<u>\$ (15,980,394)</u>	<u>\$ 1,655,334</u>	<u>\$ 1,996,353</u>

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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 2010-2011 fiscal year and are not shown as receivables at June 30, 2010.

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.

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

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

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. Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in all other funds. The budgets in the supplemental section represent the budget as amended through June 30, 2010.

The Council's schedule for developing the 2009-10 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 8, 2009.

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		
Transit Grant Projects Ordinance Fund		X
Public Housing Grants Project Ordinance Fund		X
Community Development Entitlement Grant Projects Ordinance Fund		X
Affordable Housing Fund		X
Transitional Housing Fund		X
Land Trust Fund		X
Grants Fund	X	
Downtown Service District Fund	X	
Cable Public Access Reserve 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. Prepaid Items

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

12. Deferred Charges

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

13. Capital Assets

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

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

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

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

Land improvements	10 – 30 years
Buildings	5 – 20 years
Equipment	3 – 20 years
Buses	12 – 20 years
Other vehicles	3 – 15 years
Fixtures and equipment	5 – 20 years
Water treatment and distribution	20 – 60 years
Sewer collection and treatment	40 – 60 years

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

14. Long-term Obligations

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

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

15. Compensated Absences

The vacation policy of the Town and OWASA provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. At June 30, 2010, OWASA had recorded a liability for accrued vacation of \$407,380.

The sick leave policy for the Town and OWASA provide for and unlimited accumulation of sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town and OWASA do not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

16. Deferred and Unearned Revenues

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

	Deferred	Unearned	Total
Taxes receivable, net	\$ 500,283	\$ -	\$ 500,283
Grants receivable	519,550	125,495	645,045
Other receivables	52,810	141,344	194,154
	<u>\$ 1,072,643</u>	<u>\$ 266,839</u>	<u>\$ 1,339,482</u>

17. Net Assets and Fund Balances

Net assets in governmental-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. At year-end, restricted net assets consisted of restricted cash and investments held for payment of future construction contracts.

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

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

The governmental fund types classify fund balances as follows:

Reserved:

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

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

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

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

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

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

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

Reserved for prepaid items – represents the amount of fund balance that is not available for appropriation because it represents a prepayment of future liabilities.

Unreserved:

Designated for subsequent year's expenditures - represents the amount of fund balance appropriated that has been designated for the adopted 2010-11 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 \$43,830,648 and a bank balance of \$43,874,129. Of the bank balance, \$500,366 was covered by federal depository insurance, \$1,853,146 was covered by collateral held under the Dedicated Method and \$41,520,617 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$5,319 at year end.

At year-end, OWASA's deposits had a carrying amount of \$15,092,741 and a bank balance of \$15,085,365. Of the bank balance, \$318,727 was covered by federal depository insurance and \$14,766,638 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, 2010, the Town had \$4,667,805 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. At June 30, 2010, OWASA had \$7,121,025 invested in mutual funds with the North Carolina Capital Management Trust.

Interest Rate Risk. The Town and OWASA do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The North Carolina Capital Management Trust has a weighted average maturity of .8 years as of June 30, 2010.

Credit risk. The Town and OWASA have no policy regarding credit risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2010.

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, 2010 consists of the following:

	<u>Governmental Funds</u>	
Sales tax refunds receivable	\$	344,861
Due from Federal Government		3,620,013
Due from State		3,648,528
Due from local governments		228,050
	<u>\$</u>	<u>7,841,452</u>

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

Governmental activities, allowance for uncollectible property taxes	\$	319,006
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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, 2010 follows:

	July 1, 2009	Increases	Decreases	June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,245,958	\$ 679,745	\$ 355	\$ 26,925,348
Construction in progress	5,179,006	1,829,189	1,413,935	5,594,260
Total capital assets, not being depreciated	<u>31,424,964</u>	<u>2,508,934</u>	<u>1,414,290</u>	<u>32,519,608</u>
Capital assets, being depreciated:				
Land improvements	12,992,756	1,498,920	-	14,491,676
Infrastructure	35,539,680	485,760	-	36,025,440
Buildings and building improvements	62,948,962	173,835	-	63,122,797
Equipment	4,914,740	346,247	-	5,260,987
Vehicles	11,966,162	754,831	178,509	12,542,484
Total capital assets, being depreciated	<u>128,362,300</u>	<u>3,259,593</u>	<u>178,509</u>	<u>131,443,384</u>
Accumulated depreciation:				
Land improvements	2,201,791	659,499	-	2,861,290
Infrastructure	16,202,026	1,441,018	-	17,643,044
Buildings and building improvements	15,723,905	2,635,708	-	18,359,613
Equipment	4,102,380	228,046	-	4,330,426
Vehicles	6,964,149	1,347,748	178,509	8,133,388
Total accumulated depreciation	<u>45,194,251</u>	<u>6,312,019</u>	<u>178,509</u>	<u>51,327,761</u>
Total capital assets, being depreciated, net	<u>83,168,049</u>	<u>(3,052,426)</u>	<u>-</u>	<u>80,115,623</u>
Governmental activities capital assets, net	<u>\$ 114,593,013</u>	<u>\$ (543,492)</u>	<u>\$ 1,414,290</u>	<u>\$ 112,635,231</u>

	July 1, 2009	Increases	Decreases	June 30, 2010
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Total capital assets, not being depreciated	2,099,537	-	-	2,099,537
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,623,884	-	-	17,623,884
Equipment	1,958,061	5,000	-	1,963,061
Vehicles	30,394,855	5,541,736	2,592,798	33,343,793
Total capital assets, being depreciated	55,950,808	5,546,736	2,592,798	58,904,746
Accumulated depreciation:				
Land improvements	2,718,385	235,140	-	2,953,525
Buildings and building improvements	1,733,018	817,291	-	2,550,309
Equipment	682,436	206,214	-	888,650
Vehicles	12,704,187	2,667,217	2,592,798	12,778,606
Total accumulated depreciation	17,838,026	3,925,862	2,592,798	19,171,090
Total capital assets, being depreciated, net	38,112,782	1,620,874	-	39,733,656
Transit fund capital assets, net	\$ 40,212,319	\$ 1,620,874	\$ -	\$ 41,833,193
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,749,838	\$ -	\$ -	\$ 2,749,838
Total capital assets, not being depreciated	2,749,838	-	-	2,749,838
Capital assets, being depreciated:				
Land improvements	382,210	-	-	382,210
Buildings and building improvements	7,284,441	-	-	7,284,441
Equipment	253,269	-	-	253,269
Total capital assets, being depreciated	7,919,920	-	-	7,919,920
Accumulated depreciation:				
Land improvements	331,524	8,905	-	340,429
Buildings and building improvements	5,279,616	364,139	-	5,643,755
Equipment	220,821	13,143	-	233,964
Total accumulated depreciation	5,831,961	386,187	-	6,218,148
Total capital assets, being depreciated, net	2,087,959	(386,187)	-	1,701,772
Parking facilities fund capital assets, net	\$ 4,837,797	\$ (386,187)	\$ -	\$ 4,451,610

	July 1, 2009	Increases	Decreases	June 30, 2010
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Total capital assets, not being depreciated	1,701,659	-	-	1,701,659
Capital assets, being depreciated:				
Land improvements	323,376	-	-	323,376
Buildings and building improvements	19,277,820	118,703	-	19,396,523
Equipment	355,028	-	-	355,028
Vehicles	210,026	-	-	210,026
Total capital assets, being depreciated	20,166,250	118,703	-	20,284,953
Accumulated depreciation:				
Land improvements	158,286	16,169	-	174,455
Buildings and building improvements	11,175,087	491,978	-	11,667,065
Equipment	355,028	-	-	355,028
Vehicles	177,307	9,653	-	186,960
Total accumulated depreciation	11,865,708	517,800	-	12,383,508
Total capital assets, being depreciated, net	8,300,542	(399,097)	-	7,901,445
Housing operating fund capital assets, net	\$ 10,002,201	\$ (399,097)	\$ -	\$ 9,603,104
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 90,601	\$ 561,116	\$ -	\$ 651,717
Total capital assets, not being depreciated	90,601	561,116	-	651,717
Capital assets, being depreciated:				
Land improvements	37,387	84,847	-	122,234
Equipment	11,200	-	-	11,200
Total capital assets, being depreciated	48,587	84,847	-	133,434
Accumulated depreciation:				
Land improvements	12,336	5,860	-	18,196
Equipment	800	1,600	-	2,400
Total accumulated depreciation	13,136	7,460	-	20,596
Total capital assets, being depreciated, net	35,451	77,387	-	112,838
Stormwater management fund capital assets, net	\$ 126,052	\$ 638,503	\$ -	\$ 764,555
Business-type activities capital assets, net	\$ 55,178,369	\$ 1,474,093	\$ -	\$ 56,652,462

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

Governmental activities:	
General government	\$ 157,763
Environment and development	3,279,385
Public safety	215,175
Leisure activities	1,413,043
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,246,653
Total depreciation expense - governmental activities	<u>\$ 6,312,019</u>
Business-type activities:	
Transit	\$ 3,925,862
Parking facilities	386,187
Housing Operating	517,800
Stormwater Management	7,460
Total depreciation expense - business-type activities	<u>\$ 4,837,309</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2010, follows:

	July 1, 2009	Increases	Decreases	Transfers	June 30, 2010
Capital assets, not being depreciated:					
Land	\$ 19,996,428	\$ -	\$ -	\$ -	\$ 19,996,428
Construction in progress	23,157,353	3,307,069	-	(12,497,126)	13,967,296
Total capital assets, not being depreciated	<u>43,153,781</u>	<u>3,307,069</u>	<u>-</u>	<u>(12,497,126)</u>	<u>33,963,724</u>
Capital assets, being depreciated:					
Water treatment and distribution	135,359,473	3,969,008	-	4,710,758	144,039,239
Sewer collection and treatment	164,851,773	570,308	-	7,163,795	172,585,876
Fixtures and equipment	40,173,123	89,249	485,280	622,573	40,399,665
Total capital assets, being depreciated	<u>340,384,369</u>	<u>4,628,565</u>	<u>485,280</u>	<u>12,497,126</u>	<u>357,024,780</u>
Less accumulated depreciation for:					
Water treatment and distribution	36,827,489	3,184,837	-	-	40,012,326
Sewer collection and treatment	34,450,617	3,935,173	-	-	38,385,790
Fixtures and equipment	21,110,249	1,933,681	387,982	-	22,655,948
Total accumulated depreciation	<u>92,388,355</u>	<u>9,053,691</u>	<u>387,982</u>	<u>-</u>	<u>101,054,064</u>
Total capital assets, being depreciated, net	<u>247,996,014</u>	<u>(4,425,126)</u>	<u>97,298</u>	<u>12,497,126</u>	<u>255,970,716</u>
Total capital assets, net	<u>\$ 291,149,795</u>	<u>\$ (1,118,057)</u>	<u>\$ 97,298</u>	<u>\$ -</u>	<u>\$ 289,934,440</u>

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

Capital Assets	\$ 152,717,844
Depreciation	(44,359,985)
	<u>108,357,859</u>
Internal service fund capital assets, net of depreciation	4,277,372
Total Capital Assets, net	<u>\$ 112,635,231</u>
Debt:	
Short-term portion of debt	\$ 6,275,690
Long-term portion of debt	43,585,881
Total Debt	<u>49,861,571</u>
Less Separation allowance (unrelated to capital)	(254,773)
Less Compensated absences (unrelated to capital)	(2,275,091)
Less Other Postemployment Benefits (unrelated to capital)	(3,050,313)
Unspent proceeds, governmental funds	4,839,342
Unspent proceeds, internal service funds	(1,990,441)
Capital Related Debt	<u>47,130,295</u>
Capital assets, net of related debt	<u>\$ 65,504,936</u>

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

Total Capital Assets, net	<u>\$ 56,652,462</u>
Debt:	
Short-term portion of debt	873,492
Long-term portion of debt	6,178,533
Total Debt	<u>7,052,025</u>
Less Compensated Absences (unrelated to capital)	(628,461)
Less Other Postemployment Benefits (unrelated to capital)	(1,528,564)
Capital Related Debt	<u>4,895,000</u>
Capital assets, net of related debt	<u>\$ 51,757,462</u>

F. Accounts Payable and Accrued Liabilities

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

	Governmental Activities	Business-type Activities
Accounts payable	\$ 2,372,268	\$ 530,931
Accrued payroll and payroll related liabilities	1,872,006	677,872
Deposits	176,558	61,760
	<u>\$ 4,420,832</u>	<u>\$ 1,270,563</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, 2010 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%	\$ 500,000
\$4,250,000 - 2003 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2021; interest at 2% to 4%	3,125,000
\$4,000,000 - 2004 serial bonds payable in annual installments of \$200,000 through 2025; interest at 2.5% to 4.5%	3,000,000
\$4,950,000 - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	4,200,000
\$4,490,000 - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2.0% to 4.0%	4,460,000
Total general obligation bonds	<u>\$ 15,285,000</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	\$ 2,830,000
Various installment purchase contracts to finance equipment additions; contracts between four and seven years; interest rates between 2.46% and 3.73%; debt secured by the equipment	4,654,449
Total installment notes payables	<u>\$ 7,484,449</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>\$ 20,405,000</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>\$ 4,895,000</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, the law enforcement officers' special separation allowance and other postemployment benefits.

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,585,000	\$ 566,763	\$ 2,151,763
2012	1,575,000	511,300	2,086,300
2013	1,555,000	463,900	2,018,900
2014	1,540,000	409,625	1,949,625
2015	1,325,000	355,800	1,680,800
2016-2020	4,880,000	1,139,665	6,019,665
2021-2025	2,375,000	388,976	2,763,976
2026-2027	450,000	27,621	477,621
	<u>\$ 15,285,000</u>	<u>\$ 3,863,650</u>	<u>\$ 19,148,650</u>

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

Year Ending June 30,	Principal	Interest	Total
2011	\$ 1,631,150	\$ 236,684	\$ 1,867,834
2012	1,539,798	182,235	1,722,033
2013	1,357,427	131,475	1,488,902
2014	1,125,479	88,043	1,213,522
2015	716,841	54,739	771,580
2016-2017	1,113,754	46,248	1,160,002
	<u>\$ 7,484,449</u>	<u>\$ 739,424</u>	<u>\$ 8,223,873</u>

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

Year Ending June 30,	Principal	Interest	Total
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	1,360,000	739,075	2,099,075
2016-2020	6,800,000	2,645,200	9,445,200
2021-2025	6,800,000	972,400	7,772,400
	<u>\$ 20,405,000</u>	<u>\$ 7,928,763</u>	<u>\$ 28,333,763</u>

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

Year Ending June 30,	Principal	Interest	Total
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	330,000	133,848	463,848
2016-2020	1,850,000	474,434	2,324,434
2021-2024	1,520,000	114,605	1,634,605
	<u>\$ 4,895,000</u>	<u>\$ 1,372,238</u>	<u>\$ 6,267,238</u>

Long-term debt activity for the year ended June 30, 2010 was as follows:

	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,415,000	\$ 4,490,000	\$ 6,620,000	\$ 15,285,000	\$ 1,585,000
Bond premium	1,186,733	-	74,170	1,112,563	-
Bond discount	(137,348)	-	8,584	(128,764)	-
Certificates of participation	21,770,000	-	1,365,000	20,405,000	1,365,000
Installment notes payable	7,355,887	1,604,000	1,475,438	7,484,449	1,631,150
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	280,611	-	25,838	254,773	-
Compensated absences - governmental activities	2,171,600	1,750,435	1,679,280	2,242,755	1,679,280
Compensated absences - internal service funds	19,960	27,636	15,260	32,336	15,260
Other postemployment benefits	1,453,041	1,545,912	-	2,998,953	-
Other postemployment benefits - internal service funds	30,932	20,428	-	51,360	-
Long-term debt	<u>\$ 51,669,562</u>	<u>\$ 9,438,411</u>	<u>\$ 11,263,570</u>	<u>\$ 49,861,571</u>	<u>\$ 6,275,690</u>
Business-type activities:					
Certificates of participation	\$ 5,165,000	\$ -	\$ 270,000	\$ 4,895,000	\$ 280,000
Compensated absences	651,181	578,628	601,348	628,461	593,492
Other postemployment benefits	820,816	707,748	-	1,528,564	-
Long-term debt	<u>\$ 6,636,997</u>	<u>\$ 1,286,376</u>	<u>\$ 871,348</u>	<u>7,052,025</u>	<u>873,492</u>

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

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

In accordance with the provisions of the State Constitution and the Local Government Bond Act, as amended, the Town may not, with certain exceptions, have outstanding net bonded debt exceeding 8% of the appraised value of the property subject to taxation. At June 30, 2010, the legal debt margin for the Town was approximately \$528 million.

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

OWASA's long-term debt as of June 30, 2010 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 \$545,421 at June 30, 2010; Revenue bonds payable, Series 2006 Revenue Term Bonds in the amount of \$6,785,000, issued October 26, 2006, with an interest rate of 5.0%, due in full July 2031	\$ 21,700,421
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 \$171,991 at June 30, 2010	18,503,009
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 \$463,350 at June 30, 2010; Revenue bonds payable, Series 2004B Revenue Bonds in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.37% at June 30, 2010), final maturity July 2029	37,343,350
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 \$313,457 at June 30, 2010	6,386,543
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 \$47,344 at June 30, 2010	17,842,344
	<u>101,775,667</u>
Less current maturities:	
Bonds payable, net of unamortized premiums and discounts and deferred refunding gains and losses	5,231,725
Long-term portion	<u>\$ 96,543,942</u>

Obligations under capital lease:

Capitalized equipment lease obligation due in annual installments of \$24,264 which includes interest at 14.45% through February 1, 2013

	\$	52,057
Less current maturities:		17,898
Long-term portion	\$	34,159
Total long-term debt	\$	96,578,101

OWASA debt maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding Losses	Total	Interest
2011	\$ 5,230,000	\$ (1,725)	\$ 5,231,725	\$ 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	5,030,000	(1,726)	5,031,726	3,523,300
2016-2020	26,025,000	(217,597)	26,242,597	13,940,496
2021-2025	23,385,000	(182,521)	23,567,521	8,275,939
2026-2030	22,370,000	(127,833)	22,497,833	2,985,244
2031-2032	2,910,000	(34,087)	2,944,087	149,000
Total	\$ 101,205,000	\$ (570,667)	\$ 101,775,667	\$ 45,211,919

Capital lease maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2011	\$ 17,898	\$ 6,366	\$ 24,264
2012	20,662	3,602	24,264
2013	13,497	658	14,155
	\$ 52,057	\$ 10,626	\$ 62,683

In 2005, OWASA issued \$18,675,000, net of a discount of \$257,985, in Series 2005 Revenue and Revenue Refunding Bonds to provide for a partial refunding of Series 2001 and Series 1999 Revenue Bonds. The Authority irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the Series 2001 and Series 1999 Revenue Bonds as they become due. The par value of the defeased Series 2001 and Series 1999 Revenue Bonds at June 30, 2010 was \$9,125,000 and \$0, respectively.

In 1985, OWASA defeased Series 1977A Revenue Bonds by placing the proceeds of new bonds, Series 1985A Revenue Bonds, in an irrevocable trust to provide for all future debt service payments on the old bonds. The gain of \$1,517,000, resulting from the refunding is being amortized over the life of the new issue. In addition to the amounts held in the trust, the trustee also has a security interest in the revenues of OWASA, after provisions have been made for the payment of current expenses, as defined in the Bond Order dated March 7, 1985. The par value of the defeased Series 1977A Revenue Bonds at June 30, 2010 was \$650,000.

OWASA's long-term debt activity for the year ended June 30, 2010 is as follows:

	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 106,040,000	\$ -	\$ 4,835,000	\$ 101,205,000	\$ 5,230,000
Less deferred amounts:					
For issuance premiums	2,227,474	-	190,138	2,037,336	186,297
For issuance discounts and deferred refunding	(1,651,242)	-	(184,573)	(1,466,669)	(184,572)
Capital Lease	67,521	-	15,464	52,057	17,898
Other postemployment benefits	738,000	883,497	-	1,621,497	-
Total bonds payable	\$ 107,421,753	\$ 883,497	\$ 4,856,029	\$ 103,449,221	\$ 5,249,623

H. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2010, the statements of the Town include a net of balances due to/from other funds in the amount of \$225,731 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	Housing operations fund	\$ 257,136
Transit fund	Transit capital grant fund	(31,405)
		<u>\$ 225,731</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2010 is as follows:

Transfers To	Transfers From	Amount
General Fund	Parking facility fund	\$ 44,118
Nonmajor governmental	Transit fund	322,850
Stormwater management fund	General fund	(4,877)
Internal service fund	Parking facility fund	4,240
	Transfers to Governmental funds	<u>\$ 366,331</u>
Proprietary funds:		
Nonmajor governmental	Transit fund	\$ (322,850)
Stormwater management fund	General fund	4,877
General Fund	Parking facility fund	(44,118)
	Subtotal transfers from Business-type	<u>(362,091)</u>
Internal service fund	Stormwater management fund	(4,240)
	Total transfers from Proprietary funds	<u>\$ (366,331)</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 \$44,118 in fiscal 2010. The Transit fund makes a transfer each year for the required matches to Federal and State capital grants, which totaled \$322,850 in fiscal 2010. The transfer of \$4,877 from the General fund to the Stormwater Management is a reimbursement of a fee exemption. The Parking Fund transferred \$4,240 to the Vehicle Replacement Fund to provide matching funds for a grant to encourage “green” technologies.

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 4.86% 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, 2010, 2009, and 2008 were \$1,586,994, \$1,567,152 and \$1,508,515 respectively. OWASA’s contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$329,383, \$333,736 and \$341,694 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, 2009, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	19
Active Plan members	<u>113</u>
TOTAL	<u>132</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, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of between 4.5% - 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, 2009 was 21 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	\$	265,423
b	Interest on net pension obligation		20,344
c	Adjustment to annual required contribution		(17,677)
d	Annual pension cost (a) + (b) + (c)	\$	<u>268,090</u>
e	Employer contributions made for fiscal year ended 6/30/10		293,928
f	Increase (decrease) in net pension obligation (d) – (e)	\$	<u>(25,838)</u>
g	Net pension obligation, beginning of fiscal year		280,611
h	Net pension obligation, end of fiscal year (f) + (g)	\$	<u><u>254,773</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2008	246,278	118.50%	323,106
6/30/2009	248,990	117.07%	280,611
6/30/2010	268,090	109.64%	254,773

Funded Status and Funding Progress: As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$3,375,079. The covered payroll (annual payroll of active employees covered by the plan) was \$6,037,006, and the ratio of the UAAL to the covered payroll was 55.91 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, 2010 were \$479,275, which consisted of \$286,113 from the Town and \$193,162 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, 2010 were \$1,873,258, which consisted of \$1,272,894 from the Town and \$600,364 from employees.

J. Other Post-Employment Benefits

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

Membership of the post employment health benefit plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	161
Active Members	736
	<hr style="width: 100%;"/>
	897
	<hr style="width: 100%;"/>

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

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

Qualified retirees may also purchase dependent care coverage at the Town's group rate. For the fiscal year ended June 30, 2010, the Town made payments for post-retirement health benefit premiums of \$890,746 and the retirees made payments of \$256,162 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 2010, the Town contributed \$890,746 or 2.7% of annual covered payroll.

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

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

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

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

Annual required contribution	\$ 3,042,537
Interest on net OPEB obligation	94,018
Adjustment to annual required contribution	<u>(81,113)</u>
Annual OPEB cost (expense)	3,055,442
Contributions (adjusted for implicit subsidy)	<u>(827,012)</u>
Increase in net OPEB obligation	2,228,430
Net OPEB obligation, beginning of year	2,304,789
Actuarial adjustment to prior year balance	<u>45,658</u>
Net OPEB obligation, end of year	<u><u>\$ 4,578,877</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

For Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2009	\$ 3,042,537	22.75%	\$ 2,350,448
2010	3,055,442	27.07%	4,578,877

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, 2010, the Town made contributions to the State for death benefits of \$34,820. 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, 2010 for the following:

Morgan Creek	\$ 1,174,084
Library expansion	955,695
Downtown Initiative and Streetscape projects	819,899
ARRA projects	726,801
Vehicle purchases	666,692
Streets, paving, and drainage	562,898
Municipal fiber project	363,186
Public Housing renovations	304,647
Bolin Creek	278,632
Other technology projects	141,910
Traffic projects	138,876
Other	278,816
	\$ 6,412,136

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 \$1,128,590 at June 30, 2010.

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

N. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, law enforcement liability and property losses; and through participation in the Interlocal Risk Management Pool of North Carolina for workers' compensation. The Town maintains insurance coverage of \$3,000,000 for comprehensive general liability, \$5,000,000 for automobile liability, \$2,000,000 for law enforcement liability and public officials' liability, and a replacement cost coverage for property loss. The Town's potential loss for liability coverage is limited to the deductible amount of \$2,500 per claim for all coverage except public officials' liability, which is limited to the deductible amount of \$5,000 per claim. The Town's potential loss for workers' compensation loss is limited to the deductible amount of \$5,000 per occurrence. There are no significant reductions in insurance coverage in the past year for any major risk category.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The Town carries coverage totaling \$2,048,500 for the ten structures.

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

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2010 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, 2010 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 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.
- GASB Statement Number 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.
- GASB Statement Number 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.” This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

**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)
12/31/2004	-	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%
12/31/2009	-	3,375,079	3,375,079	-	6,037,006	55.91%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
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
2010	265,423	110.74

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	12/31/2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization method	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
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**

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
Last Two Years

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

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.

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

Public Housing Grant Projects Ordinance 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.

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

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

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

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

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

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

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

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.

OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 1,706,943	\$ 493,844	\$ 2,200,787	\$ 3,214,645
Receivables:				
Governmental units and agencies	-	472,688	472,688	915,774
Property taxes, net	-	3,693	3,693	-
Inventories	-	16,538	16,538	16,538
Prepaid items	-	153	153	-
Restricted cash and cash equivalents	213,630	414,378	628,008	212,957
TOTAL ASSETS	\$ 1,920,573	\$ 1,401,294	\$ 3,321,867	\$ 4,359,914
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ 166,420	\$ 166,420	\$ 326,070
Accounts payable	49,583	265,616	315,199	720,162
Accrued liabilities	-	56,922	56,922	63,932
Deferred revenue	-	3,694	3,694	-
Unearned revenue	-	54,388	54,388	60,655
Security deposits	-	11,226	11,226	13,721
Total liabilities	49,583	558,266	607,849	1,184,540
FUND BALANCES				
Reserved for encumbrances	672,014	-	672,014	373,427
Reserved by State statute	-	208,310	208,310	325,537
Reserved for capital improvements	213,630	-	213,630	266,573
Reserved for community development	-	104,905	104,905	97,566
Reserved for inventories	-	16,538	16,538	16,538
Reserved for land in trust	-	30,287	30,287	30,190
Reserved for aid to library operations	-	258,661	258,661	339,369
Unreserved				
Designated for subsequent year's expenditures	-	960	960	117,071
Undesignated	985,346	223,367	1,208,713	1,609,103
Total fund balances	1,870,990	843,028	2,714,018	3,175,374
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,920,573	\$ 1,401,294	\$ 3,321,867	\$ 4,359,914

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
JUNE 30, 2010**

	Transit Grants Fund	Public Housing Projects	Community Development Entitlement	Affordable Housing	Transitional Housing
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 340,697	\$ 18,179
Receivables:					
Governmental units and agencies	78,052	99,533	90,486	-	-
Property taxes, net	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	-	-	-	-	153
Restricted cash and cash equivalents	-	93,980	61,737	-	-
TOTAL ASSETS	<u>\$ 78,052</u>	<u>\$ 193,513</u>	<u>\$ 152,223</u>	<u>\$ 340,697</u>	<u>\$ 18,332</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ 31,405	\$ 93,837	\$ -	\$ -	\$ -
Accounts payable	3,056	99,676	46,389	-	5,163
Accrued liabilities	1,211	-	929	-	-
Deferred revenue	-	-	-	-	-
Unearned revenue	42,380	-	-	-	-
Security deposits	-	-	-	-	11,226
Total liabilities	<u>78,052</u>	<u>193,513</u>	<u>47,318</u>	<u>-</u>	<u>16,389</u>
FUND BALANCES					
Reserved by State statute	-	-	-	-	-
Reserved for community development	-	-	104,905	-	-
Reserved for inventories	-	-	-	-	-
Reserved for land in trust	-	-	-	-	-
Reserved for aid to library operations	-	-	-	-	-
Unreserved					
Designated for subsequent year's expenditures	-	-	-	-	-
Undesignated	-	-	-	340,697	1,943
Total fund balances	<u>-</u>	<u>-</u>	<u>104,905</u>	<u>340,697</u>	<u>1,943</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 78,052</u>	<u>\$ 193,513</u>	<u>\$ 152,223</u>	<u>\$ 340,697</u>	<u>\$ 18,332</u>

Schedule 2

Land Trust Fund	Grants Fund	Downtown Service District	Cable Public Access	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ 30,287	\$ -	\$ 31,268	\$ -	\$ 73,413	\$ -	\$ 493,844
-	204,617	-	-	-	-	472,688
-	-	3,693	-	-	-	3,693
16,538	-	-	-	-	-	16,538
-	-	-	-	-	-	153
-	-	-	-	-	258,661	414,378
<u>\$ 46,825</u>	<u>\$ 204,617</u>	<u>\$ 34,961</u>	<u>\$ -</u>	<u>\$ 73,413</u>	<u>\$ 258,661</u>	<u>\$ 1,401,294</u>
\$ -	\$ 41,178	\$ -	\$ -	\$ -	\$ -	\$ 166,420
-	43,684	-	-	67,648	-	265,616
-	52,463	2,319	-	-	-	56,922
-	-	3,694	-	-	-	3,694
-	12,008	-	-	-	-	54,388
-	-	-	-	-	-	11,226
-	149,333	6,013	-	67,648	-	558,266
-	204,617	3,693	-	-	-	208,310
-	-	-	-	-	-	104,905
16,538	-	-	-	-	-	16,538
30,287	-	-	-	-	-	30,287
-	-	-	-	-	258,661	258,661
-	-	-	-	960	-	960
-	(149,333)	25,255	-	4,805	-	223,367
<u>46,825</u>	<u>55,284</u>	<u>28,948</u>	<u>-</u>	<u>5,765</u>	<u>258,661</u>	<u>843,028</u>
<u>\$ 46,825</u>	<u>\$ 204,617</u>	<u>\$ 34,961</u>	<u>\$ -</u>	<u>\$ 73,413</u>	<u>\$ 258,661</u>	<u>\$ 1,401,294</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Capital Projects	Capital Reserve	Comparative Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 1,706,943	\$ -	\$ 1,706,943	\$ 1,994,568
Restricted cash and cash equivalents	<u>-</u>	<u>213,630</u>	<u>213,630</u>	<u>212,957</u>
TOTAL ASSETS	<u>\$ 1,706,943</u>	<u>\$ 213,630</u>	<u>\$ 1,920,573</u>	<u>\$ 2,207,525</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 49,583	\$ -	\$ 49,583	\$ 184,756
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,600</u>
Total liabilities	<u>49,583</u>	<u>-</u>	<u>49,583</u>	<u>222,356</u>
FUND BALANCES				
Reserved for encumbrances	672,014	-	672,014	373,427
Reserved for capital improvements	-	213,630	213,630	266,573
Unreserved				
Undesignated	<u>985,346</u>	<u>-</u>	<u>985,346</u>	<u>1,345,169</u>
Total fund balances	<u>1,657,360</u>	<u>213,630</u>	<u>1,870,990</u>	<u>1,985,169</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,706,943</u>	<u>\$ 213,630</u>	<u>\$ 1,920,573</u>	<u>\$ 2,207,525</u>

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2010	2009
REVENUES				
Taxes	-	164,272	164,272	160,921
Intergovernmental revenues				
Federal government	-	7,146,691	7,146,691	7,489,777
State government	37,600	456,784	494,384	405,128
Other	-	171,516	171,516	157,628
Charges for services	5,750	46,991	52,741	14,950
Interest on investments	5,894	3,491	9,385	22,579
Franchise rental fees	53,163	-	53,163	61,246
Program income	-	194,307	194,307	12,741
Cable Public Access Reserves	-	-	-	93,582
Donations	-	194,015	194,015	85,485
Revenue in lieu	-	5,000	5,000	198,616
Other	-	6,501	6,501	44,257
Total revenues	102,407	8,389,568	8,491,975	8,746,910
EXPENDITURES				
Environment and development	-	8,264,403	8,264,403	8,630,036
Public safety	-	912,238	912,238	692,604
Leisure activities	-	14,518	14,518	152,720
Capital projects	583,042	-	583,042	1,460,617
Total expenditures	583,042	9,191,159	9,774,201	10,935,977
(DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(480,635)	(801,591)	(1,282,226)	(2,189,067)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	474,000	719,654	1,193,654	2,073,464
Transfer to other funds	(107,544)	(265,240)	(372,784)	(202,242)
Total other financing sources (uses)	366,456	454,414	820,870	1,871,222
NET CHANGE IN TOTAL FUND BALANCES	(114,179)	(347,177)	(461,356)	(317,845)
FUND BALANCES, BEGINNING	1,985,169	1,190,205	3,175,374	3,493,219
FUND BALANCES, ENDING	\$ 1,870,990	\$ 843,028	\$ 2,714,018	\$ 3,175,374

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, 2010**

	Transit Grants Fund	Public Housing Projects	Community Development Entitlement	Affordable Housing	Transitional Housing
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal government	5,135,502	563,907	692,266	-	-
State government	408,290	-	-	-	-
Other	84,675	-	-	-	-
Charges for services	19,635	-	-	-	-
Interest on investments	-	-	-	1,114	(205)
Program income	-	-	7,339	136,000	8,968
Donations	-	-	-	-	-
Revenue in lieu	-	-	-	5,000	-
Other	-	6,351	-	-	150
Total revenues	5,648,102	570,258	699,605	142,114	8,913
EXPENDITURES					
Environment and development	5,998,812	570,258	692,266	314,763	8,582
Public safety	-	-	-	-	-
Leisure activities	-	-	-	-	-
Total expenditures	5,998,812	570,258	692,266	314,763	8,582
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(350,710)	-	7,339	(172,649)	331
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	350,710	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	350,710	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCES	-	-	7,339	(172,649)	331
FUND BALANCES, BEGINNING	-	-	97,566	513,346	1,612
FUND BALANCES, ENDING	\$ -	\$ -	\$ 104,905	\$ 340,697	\$ 1,943

Schedule 5

Land Trust Fund	Grants Fund	Downtown Service District	Cable Public Access	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ -	\$ -	\$ 164,272	\$ -	\$ -	\$ -	\$ 164,272
-	755,016	-	-	-	-	7,146,691
-	48,494	-	-	-	-	456,784
-	86,841	-	-	-	-	171,516
-	27,356	-	-	-	-	46,991
97	-	999	32	216	1,238	3,491
-	-	-	-	42,000	-	194,307
-	-	20,000	-	-	174,015	194,015
-	-	-	-	-	-	5,000
-	-	-	-	-	-	6,501
97	917,707	185,271	32	42,216	175,253	8,389,568
-	345,759	254,582	-	79,381	-	8,264,403
-	912,238	-	-	-	-	912,238
-	4,582	-	-	-	9,936	14,518
-	1,262,579	254,582	-	79,381	9,936	9,191,159
97	(344,872)	(69,311)	32	(37,165)	165,317	(801,591)
-	368,944	-	-	-	-	719,654
-	-	-	(19,215)	-	(246,025)	(265,240)
-	368,944	-	(19,215)	-	(246,025)	454,414
97	24,072	(69,311)	(19,183)	(37,165)	(80,708)	(347,177)
46,728	31,212	98,259	19,183	42,930	339,369	1,190,205
\$ 46,825	\$ 55,284	\$ 28,948	\$ -	\$ 5,765	\$ 258,661	\$ 843,028

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Capital Projects	Capital Reserve	Comparative Totals	
			2010	2009
REVENUES				
Intergovernmental revenues				
State government	\$ 37,600	\$ -	37,600	\$ 61,393
Charges for services	5,750	-	5,750	14,950
Interest on investments	5,221	673	5,894	13,556
Franchise rental fees	53,163	-	53,163	61,246
Revenue in lieu	-	-	-	53,616
Other	-	-	-	11,826
Total revenues	<u>101,734</u>	<u>673</u>	<u>102,407</u>	<u>216,587</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	145,482	-	145,482	627,951
Street improvements and sidewalks	159,940	-	159,940	160,138
Parks, recreation and open space	270,123	-	270,123	616,224
Technology and communications	7,497	-	7,497	56,304
Total expenditures	<u>583,042</u>	<u>-</u>	<u>583,042</u>	<u>1,460,617</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(481,308)</u>	<u>673</u>	<u>(480,635)</u>	<u>(1,244,030)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	474,000	-	474,000	1,103,000
Transfer to Capital Projects Ordinance Fund	(107,544)	-	(107,544)	37,000
Total other financing sources (uses)	<u>366,456</u>	<u>-</u>	<u>366,456</u>	<u>1,140,000</u>
NET CHANGE IN TOTAL FUND BALANCES	(114,852)	673	(114,179)	(104,030)
FUND BALANCES, BEGINNING	<u>1,772,212</u>	<u>212,957</u>	<u>1,985,169</u>	<u>2,089,199</u>
FUND BALANCES, ENDING	<u>\$ 1,657,360</u>	<u>\$ 213,630</u>	<u>\$ 1,870,990</u>	<u>\$ 1,985,169</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, 2010 (With Comparative Totals as of June 30, 2009)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2010	2009
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,751,257	\$ -	\$ 390,615	\$ 2,141,872	\$ 2,004,346
Accounts receivable	-	57,509	-	57,509	-
Inventories		137,684		137,684	158,018
Restricted cash and cash equivalents	1,990,441	-	-	1,990,441	784,230
Total current assets	3,741,698	195,193	390,615	4,327,506	2,946,594
NONCURRENT ASSETS					
Capital assets, net of depreciation	4,268,860	5,244	3,268	4,277,372	4,774,335
TOTAL ASSETS	8,010,558	200,437	393,883	8,604,878	7,720,929
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	481,167	60,090	-	541,257	485,385
Accrued liabilities	-	28,668	-	28,668	28,954
Due to other funds	-	12,695	-	12,695	-
Compensated absences	-	15,260	-	15,260	19,960
Installment purchase agreements	1,096,150	-	-	1,096,150	921,022
Total current liabilities	1,577,317	116,713	-	1,694,030	1,455,321
NONCURRENT LIABILITIES					
Compensated absences	-	17,076	-	17,076	-
Other postemployment benefits	-	51,360	-	51,360	30,932
Installment purchase agreements	3,558,299	-	-	3,558,299	3,069,865
Total noncurrent liabilities	3,558,299	68,436	-	3,626,735	3,100,797
TOTAL LIABILITIES	5,135,616	185,149	-	5,320,765	4,556,118
NET ASSETS					
Invested in capital assets, net of related debt	1,604,852	5,244	3,268	1,613,364	1,567,678
Unrestricted	1,270,090	10,044	390,615	1,670,749	1,597,133
TOTAL NET ASSETS	\$ 2,874,942	\$ 15,288	\$ 393,883	\$ 3,284,113	\$ 3,164,811

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2010	2009
OPERATING REVENUES					
Charges for services	\$ 1,673,773	\$ 1,039,737	\$ 160,159	\$ 2,873,669	\$ 2,758,316
OPERATING EXPENSES					
Depreciation and amortization	1,242,895	1,579	2,179	1,246,653	1,132,619
Personnel	-	624,852	-	624,852	572,169
Operations	1,567	468,104	187,722	657,393	574,596
Total operating expenses	1,244,462	1,094,535	189,901	2,528,898	2,279,384
OPERATING INCOME (LOSS)	429,311	(54,798)	(29,742)	344,771	478,932
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	3,613	-	3,613	7,157
Interest on investments	5,488	-	1,254	6,742	16,431
Interest expense	(122,808)	-	-	(122,808)	(160,793)
Gain on sale of capital assets	15,120	-	4,978	20,098	162,365
Total nonoperating revenues (expenses), net	(102,200)	3,613	6,232	(92,355)	25,160
CHANGE IN NET ASSETS BEFORE TRANSFERS	327,111	(51,185)	(23,510)	252,416	504,092
TRANSFERS					
Transfers in	4,240	-	-	4,240	162,668
Transfers out	(137,354)	-	-	(137,354)	-
Total transfers	(133,114)	-	-	(133,114)	162,668
CHANGE IN NET ASSETS	193,997	(51,185)	(23,510)	119,302	666,760
NET ASSETS, BEGINNING	2,680,945	66,473	417,393	3,164,811	2,498,051
NET ASSETS, ENDING	\$ 2,874,942	\$ 15,288	\$ 393,883	\$ 3,284,113	\$ 3,164,811

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement	Maintenance	Equipment	2010	2009
	Fund	Fund	Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,673,773	\$ 982,228	\$ 160,159	\$ 2,816,160	\$ 2,760,126
Payments to employees	-	(579,639)	-	(579,639)	(549,232)
Payments to suppliers	94,930	(445,645)	(230,472)	(581,187)	(214,541)
Net cash provided by (used in) operating activities	1,768,703	(43,056)	(70,313)	1,655,334	1,996,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	(137,354)	-	-	(137,354)	-
Transfers from other funds	4,240	-	-	4,240	162,668
Net cash provided by noncapital financing activities	(133,114)	-	-	(133,114)	162,668
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	1,604,000	-	-	1,604,000	-
Principal paid on installment purchase agreements	(940,438)	-	-	(940,438)	(1,189,420)
Interest paid on installment purchase agreements	(122,808)	-	-	(122,808)	(160,793)
Proceeds from sale of capital assets	15,120	-	4,978	20,098	166,475
Proceeds from insurance recovery	-	3,613	-	3,613	7,157
Acquisition and construction of capital assets	(749,690)	-	-	(749,690)	(1,495,634)
Net cash provided by (used in) capital and related financing activities	(193,816)	3,613	4,978	(185,225)	(2,672,215)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	5,488	-	1,254	6,742	16,431
Net cash provided by investing activities	5,488	-	1,254	6,742	16,431

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2010 (With Comparative Totals as of June 30, 2009)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2010	2009
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,447,261	(39,443)	(64,081)	1,343,737	(496,763)
CASH AND INVESTMENTS, BEGINNING	2,294,437	39,443	454,696	2,788,576	3,285,339
CASH AND INVESTMENTS, ENDING	<u>\$ 3,741,698</u>	<u>\$ -</u>	<u>\$ 390,615</u>	<u>\$ 4,132,313</u>	<u>\$ 2,788,576</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 429,311	\$ (54,798)	\$ (29,742)	\$ 344,771	\$ 478,932
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,242,895	1,579	2,179	1,246,653	1,132,619
Changes in assets and liabilities:					
Receivables	-	(57,509)	-	(57,509)	1,810
Prepaid expenses	-	-	-	-	5,900
Inventories	-	20,334	-	20,334	(2,167)
Accounts payable	96,497	2,125	(42,750)	55,872	356,322
Accrued liabilities	-	(7,551)	-	(7,551)	(7,995)
Compensated absences	-	32,116	-	32,116	-
Accrued OPEB liability	-	20,648	-	20,648	30,932
Net cash provided by operating activities	<u>\$ 1,768,703</u>	<u>\$ (43,056)</u>	<u>\$ (70,313)</u>	<u>\$ 1,655,334</u>	<u>\$ 1,996,353</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 24,821,000	\$ 24,821,000	\$ 25,277,625	\$ 456,625
Ad valorem taxes - prior years	103,000	103,000	137,703	34,703
Interest on delinquent taxes	47,000	47,000	73,351	26,351
Local option sales taxes	8,660,730	8,660,730	8,765,035	104,305
Occupancy tax	950,000	950,000	806,686	(143,314)
Other taxes	39,500	39,500	41,173	1,673
Total taxes	<u>34,621,230</u>	<u>34,621,230</u>	<u>35,101,573</u>	<u>480,343</u>
Licenses and permits				
Motor vehicles	440,000	440,000	410,050	(29,950)
Privilege licenses	110,000	110,000	137,009	27,009
Building permits	786,300	786,300	662,439	(123,861)
Special use permits	100,000	100,000	118,474	18,474
Work zone traffic permits	58,000	58,000	107,808	49,808
Engineering permits	11,400	11,400	11,791	391
Fire inspection fees	3,000	3,000	3,950	950
Traffic impact study and fees	104,900	311,231	244,129	(67,102)
Police permits	45,000	45,000	46,019	1,019
Fire permits	20,000	20,000	24,100	4,100
Total licenses and permits	<u>1,678,600</u>	<u>1,884,931</u>	<u>1,765,769</u>	<u>(119,162)</u>
Fines and forfeitures				
Garbage citations and leash law fees	5,500	5,500	3,150	(2,350)
Parking tickets and towing fees	28,000	28,000	27,069	(931)
Total fines and forfeitures	<u>33,500</u>	<u>33,500</u>	<u>30,219</u>	<u>(3,281)</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
Endowment for the arts grant	-	-	1,000	1,000
Bulletproof vest grant	-	-	4,102	4,102
Total federal government	-	-	5,102	5,102
State of North Carolina				
Beer and wine tax	246,000	246,000	79,323	(166,677)
Fuel tax (Powell Bill) funds	1,450,000	1,450,000	1,337,758	(112,242)
State fire protection	1,210,000	1,210,000	1,210,647	647
Utility franchise tax	3,290,000	3,290,000	2,778,404	(511,596)
Video programming tax	-	-	756,330	756,330
Supplemental PEG support	-	-	56,075	56,075
Solid waste disposal tax	-	-	37,900	37,900
Durham Tech contribution	2,132	2,132	-	(2,132)
State library aid	36,708	36,708	34,079	(2,629)
NC Dept of Env and Nat Resources grant	-	-	19,650	19,650
Mosquito abatement grant	-	-	2,383	2,383
Parks teen grant	-	500	-	(500)
Total State of North Carolina	6,234,840	6,235,340	6,312,549	77,209
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	249,000	249,000	249,333	333
Carrboro contribution	-	-	6,800	6,800
Miscellaneous local grants	-	3,000	4,000	1,000
Total other	332,760	335,760	343,893	8,133
Total intergovernmental revenues	6,567,600	6,571,100	6,661,544	90,444

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 100,000	\$ 100,000	\$ 160,533	\$ 60,533
Street cuts and right of way	55,000	55,000	87,149	32,149
Traffic signals	275,700	275,700	221,066	(54,634)
Cemetery staking	5,000	5,000	5,090	90
Fire districts	498	498	894	396
Solid waste collection	350,000	350,000	367,557	17,557
Planning review	251,092	251,092	3,242	(247,850)
Recreation	494,840	494,840	724,794	229,954
Charges to other funds	1,212,016	1,212,016	1,194,701	(17,315)
Total charges for services	2,744,146	2,744,146	2,765,026	20,880
Interest on investments	100,000	100,000	61,241	(38,759)
Other				
Sales - planning and documents	14,750	14,750	17,252	2,502
Sales - fixed assets	75,000	75,000	4,045	(70,955)
Sales - miscellaneous	-	-	1,114	1,114
Cemetery lot sales	93,700	93,700	102,850	9,150
Court fees	45,000	45,000	54,268	9,268
Mutual aid reimbursements	387,667	429,196	455,661	26,465
Gifts and donations	100,000	100,000	100,000	-
Miscellaneous	-	2,000	63,946	61,946
Total other revenues	716,117	759,646	799,136	39,490
TOTAL REVENUES	46,461,193	46,714,553	47,184,508	469,955

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 529,378	\$ 585,898	\$ 433,626	\$ 152,272
Manager/Clerk	1,666,042	1,790,162	1,626,167	163,995
Human Resources	877,714	970,643	802,431	168,212
Business Management	2,594,376	2,928,388	2,609,283	319,105
Attorney	294,130	295,125	276,393	18,732
Total general government	<u>5,961,640</u>	<u>6,570,216</u>	<u>5,747,900</u>	<u>822,316</u>
Environment and development				
Planning	1,310,492	1,376,299	1,154,201	222,098
Public Works	12,046,988	12,610,930	11,439,939	1,170,991
Total environment and development	<u>13,357,480</u>	<u>13,987,229</u>	<u>12,594,140</u>	<u>1,393,089</u>
Public safety				
Police	12,138,197	12,211,737	11,444,554	767,183
Fire	7,296,270	7,305,530	6,725,597	579,933
Total public safety	<u>19,434,467</u>	<u>19,517,267</u>	<u>18,170,151</u>	<u>1,347,116</u>
Leisure activities				
Parks and recreation	5,823,996	5,948,859	5,692,306	256,553
Library	2,373,932	2,493,127	2,331,714	161,413
Total leisure activities	<u>8,197,928</u>	<u>8,441,986</u>	<u>8,024,020</u>	<u>417,966</u>
Nondepartmental				
Liability insurance	470,336	470,336	356,008	114,328
Supplemental PEG expense	-	244,215	232,707	11,508
Contributions to agencies	836,500	910,425	837,050	73,375
Contribution to OPEB liability	400,000	800,000	-	800,000
General government	318,549	321,713	163,763	157,950
Total nondepartmental	<u>2,025,385</u>	<u>2,746,689</u>	<u>1,589,528</u>	<u>1,157,161</u>
Total expenditures	<u>48,976,900</u>	<u>51,263,387</u>	<u>46,125,739</u>	<u>5,137,648</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,515,707)	(4,548,834)	1,058,769	5,607,603
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	145,434	145,434	44,118	(101,316)
Transfer from Library Gift Fund	75,000	175,000	175,000	-
Transfer from Cable Public Access Fund	-	19,215	19,215	-
Transfer from Vehicle Replacement Fund	-	-	137,354	137,354
Transfer to Housing Fund	(176,000)	(146,402)	-	146,402
Transfer to Stormwater Fund	(5,000)	(6,500)	(4,877)	1,623
Transfer to Capital Projects Ordinance Fund	-	(300,000)	(300,000)	-
Transfer to Capital Improvements Fund	(305,000)	(474,000)	(474,000)	-
Transfer to Transit Grants Fund	-	(46,408)	(46,408)	-
Transfer to Grants Fund	(353,100)	(581,673)	(350,396)	231,277
Appropriated fund balance	3,134,373	5,764,168	-	(5,764,168)
Total other financing sources (uses)	2,515,707	4,548,834	(799,994)	(5,348,828)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	258,775	\$ 258,775
FUND BALANCE, BEGINNING			21,293,527	
FUND BALANCE, ENDING			\$ 21,552,302	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 6,440,000	\$ 6,440,000	\$ 6,518,784	\$ 78,784
Interest on investments	3,000	67,700	5,686	(62,014)
Total revenues	6,443,000	6,507,700	6,524,470	16,770
EXPENDITURES				
Debt service:				
Principal	3,990,000	8,480,000	8,520,000	(40,000)
Interest and fiscal charges	1,895,000	1,895,000	1,912,679	(17,679)
Bond issuance costs	-	64,700	78,356	(13,656)
Total expenditures	5,885,000	10,439,700	10,511,035	(71,335)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	558,000	(3,932,000)	(3,986,565)	(54,565)
OTHER FINANCING SOURCES (USES)				
2009 Refunding Series - bond issuance	-	4,490,000	4,490,000	-
Contribution to reserve	(558,000)	(558,000)	-	558,000
Total other financing sources (uses)	(558,000)	3,932,000	4,490,000	558,000
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	503,435	\$ 503,435
FUND BALANCES, BEGINNING			1,043,175	
FUND BALANCES, ENDING			\$ 1,546,610	

**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, 2010**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 2,289,442	\$ 2,990,151	\$ 11,908	\$ 3,002,059
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,691,653	-	311,527	311,527
Other Federal Grants	942,408	394,298	197,806	592,104
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	2,096,766	925,933	43,270	969,203
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	73,909	73,909	-	73,909
Orange County parks bonds	8,500,000	8,497,298	-	8,497,298
Other Grants	372,257	94,183	15,000	109,183
Charges for services	173,117	247,088	14,550	261,638
Donations	813,993	249,628	-	249,628
Revenue in lieu	66,580	107,068	22,524	129,592
Other	567,046	605,783	-	605,783
Total revenues	18,500,036	15,154,069	616,585	15,770,654
EXPENDITURES				
Parks, recreation, library and open space capital improvements	30,975,945	26,669,040	592,519	27,261,559
Public safety capital improvements	2,331,043	2,327,269	4,333	2,331,602
Public works facility	30,881,119	30,019,969	611,443	30,631,412
Municipal facilities	2,276,670	367,740	94,510	462,250
Sewer capital improvements	350,385	368,195	-	368,195
Software development	300,000	-	-	-
Street and sidewalk improvements	8,863,658	5,257,677	892,763	6,150,440
Total expenditures	75,978,820	65,009,890	2,195,568	67,205,458
DEFICIENCY OF REVENUES OVER EXPENDITURES	(57,478,784)	(49,855,821)	(1,578,983)	(51,434,804)

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, 2010**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	22,452,866	22,392,737	-	22,392,737
Proceeds from financing	29,861,733	29,861,733	-	29,861,733
Premium on debt	-	-	266,583	266,583
Transfer from General Fund	3,797,071	3,497,071	300,000	3,797,071
Transfer from Capital Projects Fund	670,263	562,719	107,544	670,263
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	454,475	383,450	71,025	454,475
Transfer from Stormwater Fund	127,314	127,314	-	127,314
Transfer to Capital Projects Fund	(62,404)	(62,404)	-	(62,404)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	57,478,784	56,917,005	745,152	57,662,157
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 7,061,184	\$ (833,831)	\$ 6,227,353
FUND BALANCE, BEGINNING			7,061,184	
FUND BALANCE, ENDING			\$ 6,227,353	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
State government	\$ -	\$ 28,455	\$ 37,600	9,145
Other	-	350,000	-	(350,000)
Charges for services	14,000	14,000	5,750	(8,250)
Interest on investments	-	-	5,221	5,221
Franchise rental fees	60,000	60,000	53,163	(6,837)
Revenue in lieu	-	32,521	-	(32,521)
	<u>74,000</u>	<u>484,976</u>	<u>101,734</u>	<u>(383,242)</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	100,000	293,666	145,482	148,184
Street improvements and sidewalks	150,000	933,603	159,940	773,663
Parks, recreation and open space	199,000	408,857	270,123	138,734
Technology and communications	300,000	481,042	7,497	473,545
	<u>749,000</u>	<u>2,117,168</u>	<u>583,042</u>	<u>1,534,126</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(675,000)</u>	<u>(1,632,192)</u>	<u>(481,308)</u>	<u>1,150,884</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	305,000	474,000	474,000	-
Transfer to Capital Projects Ordinance Fund	-	(107,544)	(107,544)	-
Appropriated fund balance	370,000	1,265,736	-	(1,265,736)
	<u>675,000</u>	<u>1,632,192</u>	<u>366,456</u>	<u>(1,265,736)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(114,852)</u>	<u>\$ (114,852)</u>
FUND BALANCE, BEGINNING			<u>1,772,212</u>	
FUND BALANCE, ENDING			<u>\$ 1,657,360</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 673	\$ 673
Total revenues	-	-	673	673
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	673	<u>\$ 673</u>
FUND BALANCE, BEGINNING			<u>212,957</u>	
FUND BALANCE, ENDING			<u>\$ 213,630</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 20,526,563	\$ 13,860,745	\$ 5,135,502	\$ 18,996,247
State government	1,938,031	1,271,544	408,290	1,679,834
Other	436,356	187,165	84,675	271,840
Charges for services	-	-	19,635	19,635
	<u>22,900,950</u>	<u>15,319,454</u>	<u>5,648,102</u>	<u>20,967,556</u>
Total revenues	<u>22,900,950</u>	<u>15,319,454</u>	<u>5,648,102</u>	<u>20,967,556</u>
EXPENDITURES				
Construction costs	7,431,722	6,932,964	53,175	6,986,139
Equipment and improvements	16,665,020	9,208,909	5,833,482	15,042,391
Administration	1,491,316	1,017,401	112,155	1,129,556
	<u>25,588,058</u>	<u>17,159,274</u>	<u>5,998,812</u>	<u>23,158,086</u>
Total expenditures	<u>25,588,058</u>	<u>17,159,274</u>	<u>5,998,812</u>	<u>23,158,086</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(2,687,108)</u>	<u>(1,839,820)</u>	<u>(350,710)</u>	<u>(2,190,530)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	2,687,108	1,839,820	350,710	2,190,530
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PUBLIC HOUSING PROJECTS - CAPITAL FUND GRANTS
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2006	557,355	544,938	12,417	557,355
Capital Grant 2007	582,697	538,207	44,090	582,297
Capital Grant 2008	578,700	303,391	200,284	503,675
Capital Grant 2009	595,500	-	60,993	60,993
ARRA Grant 2009	732,519	-	166,186	166,186
ROSS Grant	248,240	158,149	79,937	238,086
Total federal government	3,295,011	1,544,685	563,907	2,108,592
Other revenues	15,111	-	6,351	6,351
 Total revenues	<u>3,310,122</u>	<u>1,544,685</u>	<u>570,258</u>	<u>2,114,943</u>
EXPENDITURES				
Environment and development	<u>3,310,122</u>	<u>1,544,685</u>	<u>570,258</u>	<u>2,114,943</u>
 NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -
COMMUNITY DEVELOPMENT ENTITLEMENT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 5,496,277	\$ 4,562,894	\$ 692,266	\$ 5,255,160
Program income	174,491	185,614	7,339	192,953
Total revenues	<u>5,670,768</u>	<u>4,748,508</u>	<u>699,605</u>	<u>5,448,113</u>
EXPENDITURES				
Public improvement	1,601,987	1,582,012	15,967	1,597,979
Neighborhood revitalization	2,431,680	1,622,056	519,749	2,141,805
Homeownership opportunities	147,000	147,000	-	147,000
Administration	955,633	832,861	95,353	928,214
Community services	534,468	467,013	61,197	528,210
Total expenditures	<u>5,670,768</u>	<u>4,650,942</u>	<u>692,266</u>	<u>5,343,208</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>-</u>	<u>97,566</u>	7,339	<u>104,905</u>
FUND BALANCE, BEGINNING			<u>97,566</u>	
FUND BALANCE, ENDING			<u>\$ 104,905</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, 2010**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 16,300	\$ 42,055	\$ 1,114	\$ 43,169
Program income	650,799	514,800	136,000	650,800
Revenue in lieu	<u>633,500</u>	<u>573,500</u>	<u>5,000</u>	<u>578,500</u>
Total revenues	<u>1,300,599</u>	<u>1,130,355</u>	<u>142,114</u>	<u>1,272,469</u>
EXPENDITURES				
Environment and development	<u>1,450,599</u>	<u>767,009</u>	<u>314,763</u>	<u>1,081,772</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(150,000)</u>	<u>363,346</u>	<u>(172,649)</u>	<u>190,697</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 513,346</u>	<u>\$ (172,649)</u>	<u>\$ 340,697</u>
FUND BALANCE, BEGINNING			<u>513,346</u>	
FUND BALANCE, ENDING			<u>\$ 340,697</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSITIONAL HOUSING FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2010**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	704	(205)	499
Program income	52,705	38,795	8,968	47,763
Other	5,671	741	150	891
	<u>419,255</u>	<u>281,016</u>	<u>8,913</u>	<u>289,929</u>
EXPENDITURES				
Environment and development	<u>436,755</u>	<u>296,904</u>	<u>8,582</u>	<u>305,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(15,888)</u>	<u>331</u>	<u>(15,557)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 1,612</u>	<u>\$ 331</u>	<u>\$ 1,943</u>
FUND BALANCE, BEGINNING			<u>1,612</u>	
FUND BALANCE, ENDING			<u>\$ 1,943</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, 2010**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,553	97	1,650
Program income	-	249,390	-	249,390
	231,250	481,601	97	481,698
EXPENDITURES				
Environment and development	231,250	434,873	-	434,873
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 46,728	\$ 97	\$ 46,825
FUND BALANCE, BEGINNING			46,728	
FUND BALANCE, ENDING			\$ 46,825	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal Government	198,720	981,426	755,016	(226,410)
State Government	-	84,367	48,494	(35,873)
Other	-	111,024	86,841	(24,183)
Charges for services	-	25,000	27,356	2,356
Total revenues	<u>198,720</u>	<u>1,201,817</u>	<u>917,707</u>	<u>(284,110)</u>
EXPENDITURES				
Environment and development	-	401,715	345,759	55,956
Public safety	551,883	1,374,737	912,238	462,499
Leisure activities	-	31,204	4,582	26,622
Total expenditures	<u>551,883</u>	<u>1,807,656</u>	<u>1,262,579</u>	<u>545,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(353,163)</u>	<u>(605,839)</u>	<u>(344,872)</u>	<u>260,967</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	353,163	598,747	368,944	(229,803)
Appropriated fund balance	-	7,092	-	(7,092)
Total other financing sources (uses)	<u>353,163</u>	<u>605,839</u>	<u>368,944</u>	<u>(236,895)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	24,072	<u>\$ 24,072</u>
FUND BALANCE, BEGINNING			<u>31,212</u>	
FUND BALANCE, ENDING			<u>\$ 55,284</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 163,300	\$ 163,300	\$ 164,272	\$ 972
Interest on investments	-	-	999	999
Donations	-	-	20,000	20,000
Total revenues	<u>163,300</u>	<u>163,300</u>	<u>185,271</u>	<u>21,971</u>
EXPENDITURES				
Environment and development	<u>214,861</u>	<u>254,861</u>	<u>254,582</u>	<u>279</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(51,561)</u>	<u>(91,561)</u>	<u>(69,311)</u>	<u>22,250</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>51,561</u>	<u>91,561</u>	-	<u>(91,561)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(69,311)</u>	<u>\$ (69,311)</u>
FUND BALANCE, BEGINNING			<u>98,259</u>	
FUND BALANCE, ENDING			<u>\$ 28,948</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CABLE PUBLIC ACCESS FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 32	\$ 32
Total revenues	-	-	32	32
EXPENDITURES				
Total expenditures	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES				
	-	-	32	32
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	-	(19,215)	(19,215)	-
Appropriated fund balance	-	19,215	-	(19,215)
Total other financing sources (uses)	-	-	(19,215)	(19,215)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(19,183)	\$ (19,183)
FUND BALANCE, BEGINNING			19,183	
FUND BALANCE, ENDING			\$ -	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HOUSING LOAN TRUST FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 750	\$ 750	\$ 216	\$ (534)
Program income	<u>-</u>	<u>42,000</u>	<u>42,000</u>	<u>-</u>
Total revenues	<u>750</u>	<u>42,750</u>	<u>42,216</u>	<u>(534)</u>
EXPENDITURES				
Environment and development	<u>66,260</u>	<u>119,468</u>	<u>79,381</u>	<u>40,087</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(65,510)</u>	<u>(76,718)</u>	<u>(37,165)</u>	<u>39,553</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>65,510</u>	<u>76,718</u>	<u>-</u>	<u>(76,718)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(37,165)</u>	<u>\$ (37,165)</u>
FUND BALANCE, BEGINNING			<u>42,930</u>	
FUND BALANCE, ENDING			<u>\$ 5,765</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 1,238	\$ 1,238
Library donations	94,000	204,000	174,015	(29,985)
Total revenues	94,000	204,000	175,253	(28,747)
EXPENDITURES				
Leisure activities	-	10,000	9,936	64
EXCESS OF REVENUES OVER EXPENDITURES	94,000	194,000	165,317	(28,683)
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(75,000)	(175,000)	(175,000)	-
Transfer to Capital Projects Ordinance Fund	-	(71,025)	(71,025)	-
Contribution to reserve	(19,000)	-	-	-
Appropriated fund balance	-	52,025	-	(52,025)
Total other financing sources (uses)	(94,000)	(194,000)	(246,025)	(52,025)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(80,708)	\$ (80,708)
FUND BALANCE, BEGINNING			339,369	
FUND BALANCE, ENDING			\$ 258,661	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 620,765	\$ 620,765	\$ 736,351	\$ 115,586
OPERATING EXPENSES				
Personnel	10,877,571	11,131,201	11,136,814	(5,613)
Fuel and tires	1,795,259	1,660,073	1,205,772	454,301
Indirect costs	1,037,950	1,037,950	1,026,266	11,684
Maintenance and repairs	1,260,679	1,732,254	1,275,463	456,791
Building Maintenance	501,547	505,555	427,794	77,761
Insurance	382,985	383,096	348,489	34,607
Marketing	133,000	104,054	30,356	73,698
Tarheel Express	71,212	76,212	50,166	26,046
Uniforms and supplies	171,345	176,795	156,519	20,276
Other	229,847	372,941	245,785	127,156
Total operating expenses	16,461,395	17,180,131	15,903,424	1,276,707
OPERATING LOSS	(15,840,630)	(16,559,366)	(15,167,073)	1,392,293
NONOPERATING REVENUES				
Federal Operating Assistance Grant	2,889,666	3,534,586	3,477,686	(56,900)
State Operating Assistance Grant	2,900,000	2,900,000	3,570,322	670,322
Operating assistance-UNC Chapel Hill	5,957,282	5,957,282	5,828,502	(128,780)
Operating assistance-Town of Carrboro	1,032,825	1,032,825	1,032,835	10
Vehicle licenses	398,500	398,500	392,677	(5,823)
Ad valorem taxes	2,810,000	2,810,000	2,890,870	80,870
Interest on investments	50,000	50,000	15,277	(34,723)
Proceeds from sale of fixed assets	4,000	4,000	34,779	30,779
Revenue in lieu	-	13,190	21,000	7,810
Appropriated fund balance	-	300,516	-	(300,516)
Total nonoperating revenues	16,042,273	17,000,899	17,263,948	263,049
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	201,643	441,533	2,096,875	1,655,342
CAPITAL CONTRIBUTIONS	-	-	5,546,736	5,546,736

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	175,843	175,843	175,843	-
Transfers out	<u>(377,486)</u>	<u>(617,376)</u>	<u>(498,693)</u>	<u>118,683</u>
Total transfers	<u>(201,643)</u>	<u>(441,533)</u>	<u>(322,850)</u>	<u>118,683</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	7,320,761	<u>\$ 7,320,761</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			<u>(3,925,862)</u>	
Change in Net Assets			<u>\$ 3,394,899</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,073,280	\$ 2,073,280	\$ 1,921,724	\$ (151,556)
OPERATING EXPENSES				
Personnel	734,926	734,926	739,478	(4,552)
Indirect costs	73,636	73,636	71,988	1,648
Other	713,176	728,223	389,907	338,316
Total operating expenses	1,521,738	1,536,785	1,201,373	335,412
OPERATING INCOME	551,542	536,495	720,351	183,856
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	52,500	52,500	9,941	(42,559)
Debt service	(458,608)	(458,608)	(458,608)	-
Bond issuance expense	-	-	(17,000)	(17,000)
Capital outlay	-	(36,100)	-	36,100
Appropriated fund balance	-	51,147	-	(51,147)
Total nonoperating revenues (expenses), net	(406,108)	(391,061)	(465,667)	(74,606)
INCOME BEFORE TRANSFERS	145,434	145,434	254,684	109,250
TRANSFERS				
Transfers out	(145,434)	(145,434)	(48,358)	97,076
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	206,326	\$ 206,326
Reconciliation of modified accrual basis to full accrual basis:				
Debt principal retirement			270,000	
Depreciation and amortization			(386,187)	
Change in Net Assets			\$ 90,139	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 393,000	\$ 393,000	\$ 402,701	\$ 9,701
OPERATING EXPENSES				
Personnel	982,101	916,016	901,007	15,009
Maintenance and repairs	328,872	358,024	314,380	43,644
Utilities	127,588	144,408	153,812	(9,404)
Other	233,332	231,038	170,067	60,971
Total operating expenses	1,671,893	1,649,486	1,539,266	110,220
OPERATING LOSS	(1,278,893)	(1,256,486)	(1,136,565)	119,921
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,098,770	1,098,770	1,491,477	392,707
Interest on investments	4,123	4,123	5,373	1,250
Appropriated fund balance	-	7,191	-	(7,191)
Total nonoperating revenues (expenses), net	1,102,893	1,110,084	1,496,850	386,766
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(176,000)	(146,402)	360,285	506,687
CAPITAL CONTRIBUTIONS	-	-	118,703	118,703
TRANSFERS				
Transfers in	176,000	146,402	-	(146,402)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	478,988	\$ 478,988
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(517,800)	
Change in Net Assets			\$ (38,812)	

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 2,115,469	\$ 93,980	2,209,449
114	Cash - tenant security deposits	61,760	-	61,760
100	Total cash	<u>2,177,229</u>	<u>93,980</u>	<u>2,271,209</u>
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	-	99,533	99,533
126	Accounts receivable - tenants - dwelling rents	51,098	-	51,098
126.1	Allowance for doubtful accounts - dwelling rents	(22,500)	-	(22,500)
120	Total receivables, net allowances for uncollectibles	<u>28,598</u>	<u>99,533</u>	<u>128,131</u>
Current investments:				
143	Inventories	184,027	-	184,027
143.1	Allowance for Obsolete Inventories	(1,460)	-	(1,460)
	Total current investments	<u>182,567</u>	<u>-</u>	<u>182,567</u>
142	Prepaid expenses and other assets	-	-	-
150	TOTAL CURRENT ASSETS	<u>2,388,394</u>	<u>193,513</u>	<u>2,581,907</u>
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	2,025,035	-	2,025,035
162	Building	19,396,523	-	19,396,523
164	Furniture, Equipment, & Machinery -Administration	565,054	-	565,054
166	Accumulated depreciation	(12,383,508)	-	(12,383,508)
160	Total fixed assets, net of accumulated depreciation	<u>9,603,104</u>	<u>-</u>	<u>9,603,104</u>
180	TOTAL NONCURRENT ASSETS	<u>9,603,104</u>	<u>-</u>	<u>9,603,104</u>
190	TOTAL ASSETS	<u>\$ 11,991,498</u>	<u>\$ 193,513</u>	<u>\$ 12,185,011</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 55,345	\$ 99,676	155,021
321	Accrued wage/payroll taxes payable	44,748	-	44,748
322	Accrued compensated absences - current portion	64,497	-	64,497
341	Tenant security deposits	61,760	-	61,760
345	Other current liabilities	257,136	93,837	350,973
310	TOTAL CURRENT LIABILITIES	<u>483,486</u>	<u>193,513</u>	<u>676,999</u>
354	Accrued compensated absences - non-current portion	<u>121,644</u>	<u>-</u>	<u>121,644</u>
350	TOTAL NON-CURRENT LIABILITIES	<u>121,644</u>	<u>-</u>	<u>121,644</u>
300	TOTAL LIABILITIES	<u>605,130</u>	<u>193,513</u>	<u>798,643</u>
EQUITY:				
508	Investment in general fixed assets	9,603,104	-	9,603,104
512	Undesignated fund balance/retained earnings	1,783,264	-	1,783,264
513	TOTAL EQUITY	<u>11,386,368</u>	<u>-</u>	<u>11,386,368</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 11,991,498</u>	<u>\$ 193,513</u>	<u>\$ 12,185,011</u>

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 401,714	\$ -	\$ 401,714
705	Total tenant revenue	401,714	-	401,714
Other revenues:				
706	HUD PHA grants	1,491,477	-	1,491,477
706.1	Capital Grants	-	483,970	483,970
708	Other Government Grants	-	79,937	
711	Investment income - unrestricted	5,373	-	5,373
715	Other revenue	987	6,351	7,338
	Total other revenue	1,497,837	570,258	1,988,158
700	TOTAL REVENUE	1,899,551	570,258	2,389,872
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	201,624		201,624
912	Auditing fees	1,200		1,200
915	Compensated Absences	(14,592)		(14,592)
915	Employee benefit contributions - administrative	129,448		129,448
919	Other operating - administrative	77,542	79,937	157,479
Tenant services:				
924	Tenant services-other	5,122		5,122
Utilities:				
931	Water	117,227	-	117,227
932	Electricity	30,988	-	30,988
933	Gas	5,597	-	5,597
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	431,031	-	431,031
942	Ordinary maintenance and operations - materials	89,494		89,494
943	Ordinary maintenance and operations - contract costs	190,301	-	190,301
945	Employee benefit contributions - ordinary maintenance	153,496	-	153,496
General expenses:				
961	Insurance premiums	69,408	-	69,408
962	Other general expenses	515	-	515
964	Bad debt - tenant rents	16,280	-	16,280
969	TOTAL OPERATING EXPENSES	1,504,681	79,937	1,584,618
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	394,870	490,321	805,254
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	34,585	490,321	524,906
974	Depreciation Expense	517,800	-	517,800
900	TOTAL EXPENSES	2,057,066	570,258	2,627,324
1003	Operating transfers from/to Primary Government	-	-	-
1000	DEFICIENCY OF REVENUE OVER EXPENDITURES	(157,515)	-	(237,452)
1104	Capital Outlays Enterprise Fund	118,703	-	118,703
1103	BEGINNING EQUITY	11,425,180	-	11,425,180
	ENDING EQUITY	\$ 11,386,368	\$ -	\$ 11,306,431

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,699,100	\$ 1,697,100	\$ 1,768,208	\$ 71,108
OPERATING EXPENSES				
Personnel	1,005,575	1,005,575	1,020,484	(14,909)
Drainage Maintenance	288,750	288,750	218,574	70,176
Indirect costs	100,430	100,430	96,447	3,983
Consulting	212,400	454,065	94,638	359,427
Other	296,581	249,033	181,323	67,710
Total operating expenses	1,903,736	2,097,853	1,611,466	486,387
OPERATING INCOME (LOSS)	(204,636)	(400,753)	156,742	557,495
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	8,000	8,000	5,463	(2,537)
Capital outlay	(150,000)	(771,864)	(645,963)	125,901
Appropriated fund balance	342,136	1,158,117	-	(1,158,117)
Total nonoperating revenues (expenses), net	200,136	394,253	(640,500)	(1,034,753)
(LOSS) BEFORE TRANSFERS	(4,500)	(6,500)	(483,758)	(477,258)
TRANSFERS				
Transfers in	4,500	6,500	4,877	(1,623)
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(478,881)	\$ (478,881)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			645,963	
Depreciation and amortization			(7,460)	
Change in Net Assets			\$ 159,622	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,650,000	\$ 1,650,000	\$ 1,673,773	\$ 23,773
OPERATING EXPENSES				
Operations	25,000	25,000	1,567	23,433
OPERATING INCOME	1,625,000	1,625,000	1,672,206	47,206
NONOPERATING REVENUES (EXPENSES)				
Clean Fuels Grant	-	35,260	-	(35,260)
Interest on investments	-	-	5,488	5,488
Capital outlay	(1,624,200)	(1,663,700)	(749,690)	914,010
Debt service	(1,350,730)	(1,350,730)	(1,063,246)	287,484
Proceeds from sale of capital assets	100,000	100,000	15,120	(84,880)
Issuance of installment notes	1,624,200	1,624,200	1,604,000	(20,200)
Contribution to reserve	(374,270)	(374,270)	-	374,270
Total nonoperating revenues (expenses), net	(1,625,000)	(1,629,240)	(188,328)	1,440,912
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE TRANSFERS	-	(4,240)	1,483,878	1,488,118
TRANSFERS				
Transfers in	-	4,240	4,240	-
Transfers out	-	-	(137,354)	(137,354)
Total Transfers	-	4,240	(133,114)	(137,354)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	1,350,764	\$ 1,350,764
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,242,895)	
Capital outlay			749,690	
Debt service principal			940,438	
Proceeds from installment notes			(1,604,000)	
Change in net assets			\$ 193,997	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,148,800	\$ 1,148,800	\$ 1,039,737	\$ (109,063)
OPERATING EXPENSES				
Personnel	654,606	654,606	624,852	29,754
Operations	494,194	498,194	468,104	30,090
Total operating expenses	1,148,800	1,152,800	1,092,956	59,844
OPERATING LOSS	-	(4,000)	(53,219)	(49,219)
NONOPERATING REVENUES				
Insurance recovery	-	-	3,613	3,613
Appropriated fund balance	-	4,000	-	(4,000)
Total nonoperating revenues	-	4,000	3,613	(387)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	\$ (49,606)	\$ (49,606)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,579)	
Change in net assets			\$ (51,185)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 160,000	\$ 160,000	\$ 160,159	\$ 159
OPERATING EXPENSES				
Operations	160,500	238,960	187,722	51,238
OPERATING LOSS	(500)	(78,960)	(27,563)	51,397
NONOPERATING REVENUES				
Interest on investments	500	500	1,254	754
Proceeds from sale of capital assets	-	-	4,978	4,978
Appropriated fund balance	-	78,460	-	(78,460)
Total nonoperating revenues	500	78,960	6,232	(72,728)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(21,331)	\$ (21,331)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(2,179)	
Change in net assets			\$ (23,510)	

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TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2010

Fiscal Year	Uncollected Balance 7/1/2009	Additions	Collections And Credits	Uncollected Balance 6/30/2010
2009-2010	\$ -	\$ 35,119,150 a	\$ 34,836,717 b	\$ 282,433 c
2008-2009	178,505	-	124,331	54,174
2007-2008	44,092	-	17,781	26,311
2006-prior	398,483	-	10,425	388,058
	<u>\$ 621,080</u>	<u>\$ 35,119,150</u>	<u>\$ 34,989,254</u>	<u>750,976</u>
				Add: vehicle fees 146,620
				Less: allowance for uncollectible accounts 319,006
				<u>Ad valorem taxes receivable-net \$ 578,590</u>
				Reconciliation with revenues:
				Ad Valorem taxes \$ 34,989,254
				Reconciling items
				Interest collected 73,351
				<u>Total collections and credits \$ 35,062,605</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30,2010

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property	\$ 6,850,733,652	0.494	\$ 34,953,187	\$ 33,456,295	\$ 1,496,892
Downtown Service District	\$ 262,488,450	0.071	\$ 165,963	165,963	-
Total property valuation	<u>\$ 7,113,222,102</u>		<u>35,119,150</u> a	<u>33,622,258</u>	<u>1,496,892</u>
Uncollected taxes at June 30, 2010			<u>282,433</u> c	<u>200,653</u>	<u>81,780</u>
Current year's taxes collected			<u>34,836,717</u> b	<u>33,421,605</u>	<u>1,415,112</u>
Current levy collection percentage			<u>99.20%</u>	<u>99.40%</u>	<u>94.54%</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 Six 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>	<u>2010</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	\$ 65,504,936
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	1,202,190
Unrestricted	<u>15,075,313</u>	<u>19,554,289</u>	<u>23,279,530</u>	<u>24,337,458</u>	<u>35,270,865</u>	<u>32,924,346</u>
Total governmental activities net assets	<u>\$ 74,193,467</u>	<u>\$ 76,657,648</u>	<u>\$ 84,486,258</u>	<u>\$ 94,982,354</u>	<u>\$ 98,197,260</u>	<u>\$ 99,631,472</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462
Unrestricted	<u>5,267,602</u>	<u>8,403,465</u>	<u>8,036,693</u>	<u>9,767,773</u>	<u>10,915,522</u>	<u>12,777,277</u>
Total business-type activities net assets	<u>\$ 19,155,638</u>	<u>\$ 39,565,909</u>	<u>\$ 47,883,552</u>	<u>\$ 56,905,278</u>	<u>\$ 60,928,891</u>	<u>\$ 64,534,739</u>
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	\$ 122,101,740
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	1,202,190
Unrestricted	<u>20,342,915</u>	<u>27,957,754</u>	<u>31,316,223</u>	<u>34,105,231</u>	<u>46,186,387</u>	<u>45,701,623</u>
Total primary government net assets	<u>\$ 93,349,105</u>	<u>\$ 116,223,557</u>	<u>\$ 132,369,810</u>	<u>\$ 151,887,632</u>	<u>\$ 159,126,151</u>	<u>\$ 169,005,553</u>
Component unit						
Invested in capital assets, net of related debt	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716
Restricted	19,114,903	1,925,585	9,405,757	1,322,469	1,232,718	1,253,614
Unrestricted	<u>7,373,853</u>	<u>6,611,972</u>	<u>6,453,532</u>	<u>5,993,719</u>	<u>15,140,975</u>	<u>21,113,133</u>
Total component unit net assets	<u>\$ 163,930,077</u>	<u>\$ 169,351,312</u>	<u>\$ 177,671,404</u>	<u>\$ 184,603,565</u>	<u>\$ 200,839,735</u>	<u>\$ 210,473,463</u>

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 Six Fiscal Years
(accrual basis of accounting)

Table 2

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

Continued

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

Table 2

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

Continued

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

Table 2

	Fiscal Year					
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Component unit activities:						
Expenses	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597	\$ 29,455,212
Program Revenues						
Charges for services	21,891,667	24,431,382	25,411,160	28,794,093	29,537,290	33,558,772
Capital grants and contributions	<u>2,566,129</u>	<u>3,459,835</u>	<u>7,425,786</u>	<u>3,316,663</u>	<u>14,493,988</u>	<u>4,064,435</u>
Total component unit revenues	<u>24,457,796</u>	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>	<u>44,031,278</u>	<u>37,623,207</u>
Total component unit net (expense)/revenue	<u>\$ 315,079</u>	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>	<u>\$ 8,167,995</u>
General revenues and other changes in net assets						
Investment earnings	821,194	742,010	-	584,031	1,436,564	29,169
Miscellaneous	<u>1,872,820</u>	<u>2,308,651</u>	<u>-</u>	<u>1,998,280</u>	<u>-</u>	<u>1,436,564</u>
Total general revenues and other changes in net assets	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>1,436,564</u>	<u>1,465,733</u>
Total component unit activities changes in net assets	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 15,088,245</u>	<u>\$ 9,633,728</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund				
Reserved for:				
State statute	\$ 2,107,920	\$ 2,576,308	\$ 2,959,369	\$ 3,251,528
Encumbrances	791,201	626,161	1,045,892	858,238
Inventories	96,498	10,246	10,246	2,209
Capital improvements	265,549	298,986	440,775	427,112
Prepaid items	-	-	-	-
Other	100,000	100,000	100,000	100,000
Total reserved	<u>3,361,168</u>	<u>3,611,701</u>	<u>4,556,282</u>	<u>4,639,087</u>
Unreserved:				
Designated for subsequent year's expenditures	800,000	1,070,000	1,290,306	1,499,000
Undesignated	<u>4,251,792</u>	<u>4,315,631</u>	<u>5,643,519</u>	<u>5,634,550</u>
Total General Fund	<u>\$ 8,412,960</u>	<u>\$ 8,997,332</u>	<u>\$ 11,490,107</u>	<u>\$ 11,772,637</u>
All Other Governmental Funds				
Reserved for:				
Capital improvements	\$ 2,924,364	\$ 1,481,350	\$ 5,105,823	\$ 2,075,756
State Statute	145,070	203,732	28,528	1,112,771
Encumbrances	29,448	48,556	154,482	50,203
Inventories	153,790	137,643	146,058	170,443
Interest subsidies	-	-	-	387,872
Other	-	-	-	253,860
Debt service	199,967	1,095	171,968	176,247
Total reserved	<u>3,452,639</u>	<u>1,872,376</u>	<u>5,606,859</u>	<u>4,227,152</u>
Unreserved, reported in:				
Special revenue funds	775,774	691,085	1,046,524	232,698
Capital projects funds	<u>1,082,391</u>	<u>974,784</u>	<u>735,184</u>	<u>359,586</u>
Total all other governmental funds	<u>\$ 5,310,804</u>	<u>\$ 3,538,245</u>	<u>\$ 7,388,567</u>	<u>\$ 4,819,436</u>

Table 3

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
3,250,131 \$	3,912,064 \$	5,230,014 \$	6,809,388 \$	4,699,811 \$	4,076,024
1,209,013	1,297,402	1,272,671	1,524,640	1,079,576	1,596,820
1,472	1,928	2,728	2,470	2,599	3,376
531,342	381,258	231,128	353,915	364,815	187,815
-	-	-	355,140	-	1,012
204,917	212,620	323,997	332,888	321,798	317,003
<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>	<u>6,182,050</u>
1,514,993	1,879,000	4,315,000	2,743,874	3,134,373	5,064,230
8,263,350	9,911,161	6,515,807	7,773,811	11,690,555	10,306,022
<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>	<u>21,552,302</u>
30,287,235 \$	17,772,776 \$	14,068,719 \$	7,175,409 \$	6,482,692 \$	5,052,972
814,273	2,069,240	2,058,864	272,580	325,537	208,310
656,035	1,111,691	871,343	408,663	373,427	672,014
157,223	-	-	16,538	16,538	16,538
293,649	68,108	129,523	-	-	-
236,952	394,878	435,030	1,153,789	467,125	393,853
455,089	635,619	641,042	-	1,043,175	1,546,610
<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>	<u>7,890,297</u>
688,286	133,262	39,047	608,640	381,005	224,327
(279,758)	(1,458,927)	(1,669,821)	1,978,767	2,190,234	2,373,357
<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>	<u>10,487,981</u>

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues				
Taxes	\$ 23,328,989	\$ 26,193,450	\$ 29,251,469	\$ 30,430,218
Intergovernmental	8,388,946	14,962,684	10,823,095	8,866,342
Charges for services	1,557,250	1,706,496	1,984,469	2,075,005
Licenses and permits	1,363,742	1,432,195	1,519,274	1,551,622
Interest	948,173	439,531	187,590	192,595
Other	1,487,705	1,250,786	1,621,026	1,822,410
Total Revenues	<u>37,074,805</u>	<u>45,985,142</u>	<u>45,386,923</u>	<u>44,938,192</u>
Expenditures				
General government	2,916,683	3,085,314	3,297,515	3,517,651
Environment and development	15,548,497	22,793,279	17,969,896	17,360,844
Public safety	12,009,852	13,394,643	13,859,523	14,976,104
Leisure activities	3,507,813	3,751,287	3,822,370	4,081,517
Nondepartmental	985,953	1,075,234	823,903	962,489
Capital projects	4,013,559	3,413,124	3,454,036	5,516,543
Debt Service:				
Principal	1,520,000	1,490,000	1,560,000	1,670,000
Interest	1,012,046	932,731	782,855	880,610
ee	<u>41,514,403</u>	<u>49,935,612</u>	<u>45,570,098</u>	<u>48,965,758</u>
Excess of revenues over (under) expenditures	<u>(4,439,598)</u>	<u>(3,950,470)</u>	<u>(183,175)</u>	<u>(4,027,566)</u>
Other Financing Sources (Uses)				
Transfers in	4,086,550	3,738,558	5,005,819	4,246,839
Transfers out	(3,581,000)	(2,447,875)	(3,902,127)	(3,900,675)
Proceeds from bonds	-	-	4,250,000	-
Premium on debt	-	-	-	-
Proceeds from installment notes	1,119,500	1,471,600	-	1,395,000
Total other financing sources (uses)	<u>1,625,050</u>	<u>2,762,283</u>	<u>5,353,692</u>	<u>1,741,164</u>
Net change in fund balances	<u>\$ (2,814,548)</u>	<u>\$ (1,188,187)</u>	<u>\$ 5,170,517</u>	<u>\$ (2,286,402)</u>
Debt service as a percentage of non capital expenditures	6.75%	5.21%	5.56%	5.87%

Table 4

Fiscal Year											
2005		2006		2007		2008		2009		2010	
\$	32,782,589	\$	35,771,454	\$	37,055,809	\$	38,668,055	\$	41,200,989	\$	41,784,629
	10,382,806		19,252,631		17,046,292		25,753,577		16,756,296		15,041,738
	2,822,100		2,617,171		2,503,992		2,826,213		3,216,330		2,832,317
	1,512,168		1,652,945		1,590,653		1,721,627		2,200,422		1,765,769
	442,649		1,689,568		1,670,377		1,112,630		261,025		88,220
	1,702,214		1,937,075		1,654,137		2,426,785		1,400,511		1,304,865
	<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>		<u>62,817,538</u>
	3,763,510		4,079,736		5,634,423		6,190,609		7,272,596		7,337,428
	18,965,051		25,761,076		27,478,666		25,779,963		21,590,608		20,858,543
	15,342,852		16,900,363		17,666,485		18,567,074		18,686,914		19,082,389
	4,118,714		4,282,116		4,224,267		4,897,425		7,398,605		8,038,538
	1,324,805		1,475,398		-		-		-		-
	4,672,085		16,676,455		15,964,112		14,012,030		3,836,343		2,778,610
	1,675,000		2,180,000		3,090,000		4,015,000		4,000,000		8,520,000
	884,070		887,200		2,008,005		2,210,521		1,969,585		1,991,035
	<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>68,606,543</u>
	(1,101,561)		(9,321,500)		(14,544,698)		(3,163,735)		280,922		(5,789,005)
	4,981,814		7,450,039		17,737		8,473,343		2,573,984		2,047,910
	(3,990,101)		(6,863,501)		10,878,467		(8,264,188)		(1,792,158)		(1,548,465)
	30,000,000		-		4,967,737		-		-		4,490,000
	-		-		-		-		-		266,583
	966,733		-		3,100,000		-		-		-
	<u>31,958,446</u>		<u>586,538</u>		<u>18,963,941</u>		<u>209,155</u>		<u>781,826</u>		<u>5,256,028</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>	\$	<u>(532,977)</u>
	5.55%		5.52%		8.48%		10.10%		9.80%		15.97%

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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>
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
2010	32,171,735	8,765,035	806,686	41,173	41,784,629

Notes:

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

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

Fiscal Year		Residential Property	Commercial Property	Combined Real Property	Personal Property
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
2010	(1)	4,855,643,567	1,667,252,143	6,522,895,710	455,030,840

* 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 2009/2010 fiscal year.
- (5) Per \$100 of value. Includes taxes for general fund, debt service fund and transit fund.
- (6) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year.
- (7) Source is the Property Tax Division of the North Carolina Department of Revenue.

Table 6

Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
(3)	(4)	(5)	(6)	(7)
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%
67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%

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

Year Taxes Payable	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Chapel Hill within Orange County:		*		
<u>Town Direct Rates:</u>				
General Fund	0.535	0.461	0.510	0.502
Transit	0.043	0.043	0.043	0.051
Debt Service **	-	-	-	-
Total outside Downtown Service District	0.578	0.504	0.553	0.553
Downtown Service District	0.062	0.062	0.062	0.062
Total Direct Rates	0.640	0.566	0.615	0.615
<u>Overlapping Rates:</u>				
Orange County	0.929	0.805	0.845	0.880
Chapel Hill - Carrboro School District	0.220	0.202	0.192	0.200
Total Overlapping Rates	1.149	1.007	1.037	1.080
Total Direct and Overlapping Rates	1.789	1.573	1.652	1.695
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.535	0.461	0.510	0.502
Transit	0.043	0.043	0.043	0.051
Debt Service	-	-	-	-
Total Direct Rates	0.578	0.504	0.553	0.553
<u>Overlapping Rates:</u>				
Durham County	0.930	0.729	0.753	0.763
Total Direct and Overlapping rates	1.508	1.233	1.306	1.316

* 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	*				*
0.516	0.474	0.474	0.474	0.423	0.360
0.059	0.048	0.048	0.048	0.048	0.041
-	-	-	-	0.110	0.093
0.575	0.522	0.522	0.522	0.581	0.494
0.062	0.053	0.090	0.090	0.071	0.071
0.637	0.575	0.612	0.612	0.652	0.565
0.880	0.843	0.903	0.950	0.998	0.858
0.200	0.183	0.189	0.204	0.230	0.188
1.080	1.026	1.092	1.154	1.228	1.046
1.717	1.601	1.704	1.766	1.880	1.611
0.516	0.474	0.474	0.474	0.423	0.360
0.059	0.048	0.048	0.048	0.048	0.041
-	-	-	-	0.110	0.093
0.575	0.522	0.522	0.522	0.581	0.494
0.790	0.809	0.809	0.834	0.708	0.690
1.365	1.331	1.331	1.356	1.289	1.184

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

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

Taxpayer	Type of Business
US GT LLC (University Square)	Shopping Center
VAC Limited Partnership	Apartment Rental
Corium LLC	Health Insurance
Blue Cross and Blue Shield of North Carolina	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
Southern Village Apartments	Apartment Rental
DDRM Meadowmont Village Center LLC (formerly Inland Southeast Meadowmont LLC)	Development
Glen Lennox Apartments LLC	Apartment Rental
BellSouth Telephone Company (formerly Southern Bell Telephone & Telegraph Co.)	Public Utility
Southeast Region IV LLC	Apartment Rental
Elizabeth P. Kenan et al	Property Owner
Chapel Hill Residential Retirement Center, Inc	Retirement Facility
Wachovia Bank of North Carolina, Trustee	Shopping Center
Franklin Misty Woods Associates	Apartment Rental
Copperline Associates LTD	

Totals

Total assessed valuation

Sources:

- (1) 2000/2001 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2010			Fiscal Year 2001		
	(2)	Percentage of Total Assessed Valuation		(1)	Percentage of Total Assessed Valuation
Assessed Valuation	Rank		Assessed Valuation	Rank	
\$ 45,447,501	1	0.78%			
36,355,040	2	0.62%	29,162,294	3	0.96%
35,399,117	3	0.61%			
35,064,768	4	0.60%	60,998,179	1	2.01%
34,208,856	5	0.59%			
33,288,473	6	0.57%	24,871,296	6	0.82%
27,665,143	7	0.47%			
25,068,256	8				
24,463,692	9	0.42%			
23,446,402	10		13,023,330	9	0.43%
			28,289,210	5	0.93%
			44,945,947	2	1.48%
			28,227,361	4	0.93%
			19,813,266	7	0.65%
			14,629,581	8	0.48%
			15,017,246	10	0.49%
\$ <u>320,407,248</u>		<u>5.49%</u>	\$ <u>278,977,710</u>		<u>9.18%</u>
\$ <u>5,835,597,388</u>			\$ <u>3,039,516,000</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	
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%	*
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	(1) 388,058
2008	30,412,485	30,240,782	99.44%	115,691	30,356,473	99.82%	26,311
2009	33,972,050	33,779,684	99.43%	122,393	33,902,077	99.79%	54,108
2010	35,119,150	34,836,717	99.20%	-	34,836,717	99.20%	282,433

* 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 2006 and prior.

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

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Certificates of Participation	Installment Loans	Public Housing Bonds/ Notes
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	-
2010	15,285,000	20,405,000	7,484,449	-

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

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

Table 10

Business-type Activities	Total Primary Government	Per Capita Personal Income	Per Capita (1)	Percentage of Personal Income (1)
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%
4,895,000	48,069,449	47,063	847	1.80%

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

Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General bonded debt outstanding				
General obligation bonds	\$ 18,705,000	\$ 17,380,000	\$ 20,070,000	\$ 18,400,000
Percentage of estimated actual property value (1)	0.62%	0.43%	0.48%	0.43%
Per capita (2)	\$ 382	\$ 541	\$ 606	\$ 554

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

(1) See Table 6 for property value data.

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

Table II

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 20,725,000	\$ 18,545,000	\$ 21,630,000	\$ 19,515,000	\$ 17,415,000	\$ 15,285,000
0.46%	0.38%	0.40%	0.34%	0.30%	0.22%
\$ 558	\$ 480	\$ 522	\$ 471	\$ 397	\$ 325

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010**

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	\$ 112,520,000	42.15%	\$ 47,428,720
Durham County	233,930,000	1.79%	4,183,295
Total overlapping debt			<u>51,612,016</u>
Total direct debt			<u>35,690,000</u>
Total direct and overlapping debt			<u><u>\$ 138,914,032</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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total assessed valuation	\$ 3,039,516,608	4,021,127,152	\$ 4,167,181,402	\$ 4,305,436,972
Debt limit - 8% of total assessed valuation	243,161,329	321,690,172	333,374,512	344,434,958
General obligation bonds	18,705,000	17,380,000	20,070,000	18,400,000
Bonds authorized but unissued	4,250,000	4,250,000	4,000,000	29,360,000
Net debt applicable to debt limit	<u>22,955,000</u>	<u>21,630,000</u>	<u>24,070,000</u>	<u>47,760,000</u>
Legal debt margin	<u>\$ 220,206,329</u>	<u>\$ 300,060,172</u>	<u>\$ 309,304,512</u>	<u>\$ 296,674,958</u>
Legal debt margin as a percentage of the debt limit	90.56%	93.28%	92.78%	86.13%

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

The Town's outstanding debt that applies to this limit at June 30, 2010 totalled \$15,285,000.

This total is less than 1% of the Town's June 30, 2010 tax base (\$7.14 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2009/2010 fiscal year.

North Carolina G.S §159-55.

Table 13

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

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

Table 14

<u>Year</u>	<u>Population</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
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%
2010	56,778	5,976,341	47,063	30.4	15.82	39,428	6.5%

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 2010 data for Orange County.

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

Table 15

Taxpayer	Fiscal Year 2010			Fiscal Year 2001		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
(1)	(2)			(3)		
University of North Carolina at Chapel Hill	11,204	1	29.6%	10,151	1	
University of North Carolina Hospitals	7,977	2	21.1%	5,855	2	Not available
Blue Cross Blue Shield of NC	4,922	3	13.0%	2,700	3	Not available
Carrboro-Chapel Hill Schools	2,000	4	5.3%	1,580	4	
Town of Chapel Hill	754	5	2.0%	551	5	
Total	26,857		71.0%	20,837		Not available
Total Town Employment	(2) 37,831			Not available		

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

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

(3) Source: Orange County Economic Development Commission, December, 2001.

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

Function/Program	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government:				
Finance				
Purchase orders issued	2,070	2,190	2,092	2,082
Human Resources				
Recruitment for positions	105	84	96	86
Public Works				
Streets resurfaced (miles)	6.75	6.65	4.71	6
Refuse collected (tons)	22,141	21,729	23,992	23,836
Economic and development:				
Planning/Inspections				
Building permits issued	841	927	1,035	903
Public safety:				
Police				
Calls for service*	26,062	26,278	24,778	29,385
Traffic citations	3,391	3,615	3,448	3,902
Fire				
Emergency responses	2,254	2,423	2,088	1,787
Property losses	\$ 1,298,680	\$ 1,118,170	\$ 1,058,199	\$ 2,244,200
Inspections	1,482	1,289	1,308	1,327
Leisure activities:				
Parks and Recreation				
Program/league registrants**	36,383	32,530	37,101	37,312
Pass memberships				
Class registrations				
Daily visits				
Transit				
Service miles	1,283,075	1,644,754	1,883,680	2,180,107
Parking				
Citations issued	24,483	22,263	19,737	19,595
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***				

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

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

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

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

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year		2005	2006	2007	2008	2009	2010
		2,080	2,135	2,386	2,222	1,411	1,275
		56	74	79	84	88	72
		6.05	5.45	5.71	5.71	5.87	8.09
		22,231	21,838	21,541	19,821	16,502	15,501
		961	716	755	610	692	792
		30,754	32,871	42,428	42,691	34,273	44,588
		4,682	4,885	6,716	6,439	5,605	5,590
		1,811	2,208	3,349	2,274	2,352	4,113
\$	\$	232,025	594,200	3,312,435	2,875,631	2,317,857	2,315,123
		1,312	1,218	730	714	1,436	2,334
		38,343	38,141	35,250	35,758	35,389	not available
							3,168
							2,563
							131,840
		2,140,275	2,479,470	2,396,497	2,247,250	2,190,575	2,938,507
		19,781	20,043	18,731	18,864	17,136	16,977
			258	193	223	234	n/a

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

Function/Program	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Government:				
Public Works				
Streets (miles)	142.5	151.9	151.9	153.1
Street lights	2,482	2,691	2,905	3,006
Public Safety:				
Police				
Patrol units	4	4	4	4
Investigative units	1	2	2	2
Other specialty units	3	3	3	3
Fire				
Number of stations	4	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	17	17	17	17
Library				
Volumes in circulation	135,671	140,550	148,706	150,408
Transportation				
Number of buses	54	74	83	83
Number of vans	9	13	14	14
Parking				
Number of spaces available	889	889	889	889
Housing				
Number of units occupied	324	325	317	310

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year					
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
156.6	162.3	164.2	165.1	164.9	165.3
3,008	3,005	3,075	3,161	3,260	3,313
4	4	4	5	5	5
2	2	2	2	2	2
3	3	3	2	3	5
5	5	5	5	5	5
17	17	17	15	15	15
158,673	168,109	170,586	178,687	164,040	181,046
86	86	89	98	96	99
11	18	18	15	15	19
889	887	890	880	913	957
325	329	320	316	322	326

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

Table 18

Full-Time Equivalent Employees										
Function/Program	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government:										
Mayor and council	0.53	0.53	0.53	1	1	1	1	1	1	1
Town manager's office	6	6	6	6	6	6	7.53	6.8	7	8
Town clerk's office	4.27	4.27	4.27	4.53	4.53	4.53	4.53	7.53	9.13	9.13
Human resources	7.23	7.23	6.73	8	8	8	8	8	8	8
Finance	11.19	11.39	10.86	11.33	11.33	12.33	12.33	12.53	14	14
Information technology (A)	3	4	5	5	6	7	7	7	8	8
Legal	2	2	2	2	2	2	2	2	2	2
Public Works (E,F)	120.5	122.5	116.5	128	129	129	124	114	78	76.75
Environment and development:										
Planning	15.53	15.53	15.53	15.53	16.19	16.19	18.56	19.56	21.1	21.06
Inspections	9	9	10.53	10.53	10.53	9	9	9	8	8
Engineering	13	13	13	13	12	11.8	19	20	23	23
Housing (B)	18	18	18	18	18	-	-	-	-	-
Public Safety:										
Police	127.4	135.2	135.4	134	138	138	144	144	144	144
Fire	73.15	73.15	73.13	74	74.53	74.53	86.53	86.53	93.5	93.53
Leisure activities:										
Parks & Recreation (E)	20.42	20.95	20.95	21.38	21.91	22.79	23.26	22.59	56.79	58.84
Library	25.53	28	28	28	28	28	29	29	29.2	29.2
Transit	125.37	140.59	143.59	159.09	161.59	164.59	167.79	171.46	176	185.98
Parking	12	12	13.3	12.8	12.8	12.8	12.8	12.8	12.8	12.8
Housing (B)	-	-	-	-	-	18	17	18	18	18
Stormwater (C,F)	-	-	-	-	4	5.2	5.2	7	14	14
Total	594.12	623.34	623.32	652.19	665.41	670.76	698.53	698.8	723.52	735.29

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 Proprietary 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, 2010, not presented here, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Orange Water and Sewer Authority, as described in our report on the Town of Chapel Hill financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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, North Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chapel Hill, North Carolina'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, management, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 11, 2010

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

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

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

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

Compliance

We have audited the compliance of the Town of Chapel Hill,, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

We have audited the 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's, North Carolina, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2010. 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. Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of the Town of Chapel Hill, North Carolina. 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 Not-Profit Organizations*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2010

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

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

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

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

Compliance

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. 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 responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

We have audited the 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, 2010, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 11, 2010. 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. Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of the Town of Chapel Hill, North Carolina. 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 Not-Profit Organizations*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly Stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 11, 2010

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of the Town of Chapel Hill, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the Town's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on the Town of Chapel Hill, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2010 are:

<u>Program Name</u>	<u>CFDA#</u>
Community Develop. Block Grant	14.218
Public and Indian Housing	14.850
NCDOT MPO Grants	20.205
FTA - Planning Grant	20.505
FTA - Federal Transit Capital Grant	20.507

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

- I. Major State programs for the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2010 are:

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

- J. The threshold for determining Type A programs for the Town of Chapel Hill, North Carolina is \$321,368.

- K. the Town of Chapel Hill, North Carolina did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

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

None

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

None

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

None

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

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, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures			
				Federal	State	Local	
FEDERAL ASSISTANCE							
U.S. Department of Transportation							
<i>Direct Programs:</i>							
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-90-X382-00	4,900,000	12,472	1,559	1,559	
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-95-X001-00	2,088,430	30,068	3,758	3,758	
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0031-00	3,750,000	2,962,874	370,359	412,544	
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-90-X391-02	1,400,627	93,075	-	23,268	
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-95-X025-00	2,870,000	-	-	-	
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	-	-	-	
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X415-00	2,238,275	35,283	(508)	9,330	

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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-X436-00	2,433,528	30,911	-	7,728
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-01	2,564,520	45,462	-	11,366
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X478-00	2,542,369	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-95-X033-00	500,000	103,261	33,122	(7,307)
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	NC-37-X018-00	352,712	58,929	-	78,564
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	111,536	-	(111,536)
Federal Transit Administration - Federal Transit Planning Formula Grant	20.505	10-08-103	136,677	116,579	-	12,952
Federal Transit Administration - Federal Transit Planning Formula Grant (ARRA)	20.507	NC-96-X003-00	2,714,867	2,148,542	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant (ARRA)	20.507	NC-66-X003-00	183,000	3,013	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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 City of Durham, North Carolina:</i>						
Federal Transit Administration - Section 104(f) Planning Grant	20.505	PL 104(F)	78,710	62,879	-	15,722
Federal Transit Administration - STP-DA 133(b)(3)(7) Planning Grant	20.505	STP-DA 133(b)(3)(7)	485,030	321,541	-	80,386
Federal Transit Administration - Small Area STP-DA 133(b)(3)(7) Planning Grant	20.505	STP-DA 133(b)(3)(7)	40,000	32,000	-	8,000
Federal Transit Administration - Federal Transit Capital Grant	20.513	NC-95-X029-00	113,586	113,586	-	-
Federal Transit Administration Federal Transit Capital Grant	20.516	NC-95-X003-02	455,953	28,716	-	7,179
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	169,936	62,156	-	62,156
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	118,534	25,239	-	25,239
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	70,000	28,716	-	7,179
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	97,600	-	-	-
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	50,614	24,045	-	6,012
Total U.S. Department of Transportation				<u>6,450,883</u>	<u>408,290</u>	<u>654,099</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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	U-4726 IC	403,952	316,340	-	-
NCDOT MPO Grant - Sidewalks (ARRA)	20.205	U-4726 IE	152,656	136,084	-	-
NCDOT MPO Grant - ADA Ramps (ARRA)	20.205	U-4726 IA	57,500	39,016	-	-
NCDOT MPO Grant - Traffic Calming (ARRA)	20.205	U-4726 IB	65,189	3,986	-	-
NCDOT MPO Grant - Morgan Creek (ARRA)	20.205	EL-4601	300,000	282,951	-	-
Total Federal Highway Administration				<u>778,377</u>	<u>-</u>	<u>-</u>
U.S. Department of Housing and Urban Development						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement	14.218	MC-37-0016	5,340,167	553,411	-	-
Community Development Block Grant Entitlement (ARRA)		MY-37-0016	156,110	138,855	-	-
Program income			-	-	-	7,339
Public and Indian Housing Program -						
Operating	14.850	NC-046-001-06D	1,491,477	1,491,477	-	-
Rental and other income			-	-	-	408,075

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

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-19P04650106	557,355	12,417	-	-
		NC-19P04650107	582,697	44,090	-	-
		NC-19P04650108	578,700	200,284	-	-
		NC-19P04650109	595,500	60,993	-	-
		NC-19P04650110	594,401	-	-	-
		NC-046REF025A004	248,240	79,937	-	-
		NC-19S04650109 (ARRA)	732,519	166,186	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	-	-	-
				-	-	13,878
Total U.S. Department of Housing and Urban Development				<u>2,747,650</u>	<u>-</u>	<u>429,292</u>
U.S. Department of Justice						
<i>Direct Programs:</i>						
COPS Technology Grant	16.710	2008CKWX0450	116,913	108,098	-	-
Bulletproof Vest Partnership Program	16.607		20,729	8,146	-	8,147
Bulletproof Vest Partnership Program	16.607		31,338	-	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Chapel Hill Crime Prevention	16.738	068-1-09-001-BH-540	4,991	4,943	-	-
PSN-MDAT CHPD Training	16.609	068-1-09-001-BB-104	1,250	-	-	-
PSN-MDAT CHPD Youth Trip	16.609	068-1-09-001-BB-105	5,000	4,829	-	-
Project Safe Orange	16.609	068-1-08-001-BB-067	27,491	20,946	-	-
Project Safe Orange	16.609	068-1-09-001-BB-736	60,869	10,859	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
Byrne Justice Assistance Grant (ARRA)	16.804		22,334	22,249	-	-
Byrne Justice Assistance Grant (ARRA)	16.804		91,898	91,898	-	-
Total U.S. Department of Justice				<u>271,968</u>	<u>-</u>	<u>8,147</u>
Department of Homeland Security						
<i>Direct Programs:</i>						
SAFER Grant	97.083	EMW-2006-FF-04309	2,671,525	272,940	-	232,644
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Federal Mediation and Conciliation Services						
Youth Initiative Partnership	34.001		24,000	16	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of Energy						
Energy Efficiency and Conservation Block (ARRA)	81.128	DE-SC0002602	554,900	52,700	-	-
Total U.S. Department of Energy				52,700	-	-
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment & Natural Resources:</i>						
EPA Section 319 Grant	15.530		533,620	127,720	-	97,687
Total U.S. Department of the Interior				127,720	-	97,687
National Endowment for the Arts						
<i>Passed-Through NC Arts Council</i>						
Arts Grant	45.025	FY10-0350	60,000	10,000	-	22,500
TOTAL FEDERAL ASSISTANCE				10,712,254	408,290	1,444,369

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
STATE ASSISTANCE						
North Carolina Department of Transportation:						
Powell Bill			1,337,758	-	1,337,758	-
Interest			123	-	-	123
State Maintenance Assistance for Urban and Small Urban Areas			3,570,322	-	3,570,322	-
NCDOT MPO Grant - Morgan Creek			169,375	-	80,393	8,933
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	77,620	19,405
NCDOT MPO Grant - Traffic Signal Improvments			70,538	-	32,938	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	233,577	86,524
NCDOT MPO Grant - Dry Creek Trail			80,000	-	35,417	8,855
NCDOT MPO Grant - Fordham Landscape Buffer			50,000	-	28,054	-
<i>Passed-Through Triangle Council of Government:</i>						
Transit Demand Grant			118,752	-	48,494	43,999
Total North Carolina Department of Transportation				-	5,444,573	167,839
State Library Aid			34,079	-	34,079	-
Mosquito Abatement Grant			2,384	-	2,384	-
NC E-Authority Grant			24,991	-	-	-
UNC - Traffic Projects			43,909	-	-	43,909
TOTAL STATE ASSISTANCE				-	5,481,036	211,748
TOTAL FINANCIAL ASSISTANCE				\$ 10,712,254	\$ 5,889,326	\$ 1,656,117

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010

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, 2010. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2010, the Town had no unspent Powell Bill funds. The amount calculated as interest is based on the prior year interest rate which was used as an estimate for the current year.

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