

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2014**

Prepared by:

Town of Chapel Hill
Business Management Department

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October 29, 2014

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, 2014 (FY 2013-14) 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, 2014.

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, 2014 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, library, planning and zoning, inspections, general administration, parking and transportation. The town’s financial statements also present the financial position and results of operations of Orange Water and Sewer Authority (OWASA), its only component unit. OWASA is a separate, legal entity for which the town is financially accountable because the Town Council appoints a majority of the OWASA Board of Directors. Additional information on the component unit may be found in the notes to the financial statements.

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

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

Budgetary control is maintained at the functional level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are a component of restricted fund balances at June 30, 2014.

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 59,271 and is the home of the University of North Carolina at Chapel Hill.

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

The Town operates under a council-manager form of government. Policy-making and legislative authority are vested in the governing Town Council consisting of a mayor and eight other members. The Town Council appoints the members of various boards and commissions, the

Town Manager, and Town Attorney. The Mayor presides over Council meetings and has full voting privileges.

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

Factors Affecting Financial Condition

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

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

The economy of the Town is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented businesses. The University of North Carolina at Chapel Hill and the University of North Carolina Health Care System are the largest employers in the Town, providing about 24,000 jobs. These institutions contribute significantly to the low unemployment rate in the Town and Orange County when compared to the rest of the state. The Town's unemployment rate has been below State and national rates over the last five years. The Town's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base.

Long-term financial planning. The Town began several new capital projects which affected Town borrowings and will impact future debt payments.

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

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

In November 2003, voters of the Town of Chapel Hill approved a bond referendum for a variety of projects totaling \$29.36 million. The bonds were sold in three issues, first \$4 million in 2004 and \$4.95 million in 2006. The last of the authorized bond sales, delayed with the economic downturn, included the majority of the library bonds and were sold in a single \$20.41 million issuance in October 2010. The bonds were sold in a combination of general obligation bonds and Build America Bonds, which are eligible for an interest subsidy from the federal government through the American Recovery and Reinvestment Act.

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

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

The Library project was completed in spring of 2013, with a dedication ceremony on April 20, 2013. The other bond-funded projects were well under way in 2013-14. The issuance of the 2010 General Obligation debt represented the balance of the authority from the 2003 referendum.

The Town of Chapel Hill also committed to up to \$7.2 million for a \$75 million public/private development project to construct a three-section building complex combining condominiums, retail and underground parking. The complex, known as 140 West, was constructed on town-owned Parking Lot 5, facing both Franklin and Rosemary Streets. The project, in addition to retail space, includes 137 condominiums with 21 affordable housing units which have been placed in the Land Trust, nearly 30,000 square feet of office/retail space, and 345 parking

spaces. The project also includes about 27,000 square feet of open public space and public art. The town retains ownership of the site with a land lease and will own 161 parking spaces with 169 spaces for condominium owners.

The purpose of this downtown development project is to stimulate the town center, encourage the use of mass transit and increase the tax-base. The construction phase of this project began in FY2011 and was completed in the summer of 2012. The Town's funding commitment for this project was effective upon completion.

In June 2012, the Town sold \$28.8 million in Limited Obligation Bonds (LOBs), taking advantage of favorable interest rates to both refinance existing debt and to borrow additional funds to meet the obligations for the 140 West project. The LOBs refunded the existing certificates of participation for construction of the Town Operation Center and Wallace Parking Deck, as well as two installment purchase agreements for building parks projects. The new debt pays for the Town's portion of the parking structure in the mixed-use development, capital repairs of the Wallace Deck and renovations to the Town Operations Center.

In order to issue additional General Obligation bonds, other than two-thirds bonds based on the reduction of outstanding general obligation debt principal, the Town would need to receive approval from voters through the public referendum process. The next bond referendum is planned for the 2015 voter election.

In addition to the Town's plans, The University of North Carolina is planning a new satellite campus on approximately 1,000 acres called Carolina North. The new development (on land formerly used by the Horace Williams Airport) will combine a research park with academic buildings, businesses, residential areas, green space and public schools. On June 22, 2009, the Chapel Hill Town Council approved a development agreement with the University for the Carolina North Project. The actual campus of Carolina North will cover approximately 250 acres of the Horace Williams Tract and will be built in phases over the next 50 years. To date development of Carolina North has been delayed due to the economic issues affecting the state budget.

The Town and the University have engaged in extensive, long-range planning for the expansion, including a fiscal impact analysis. Carolina North will best serve the university and the state if it also strengthens the local community, enhances its quality of life, respects its character and values, and embraces its spirit of collaboration. Businesses incubated at Carolina North ideally would be retained within the community once they leave Carolina North, and such efforts should be supported through communication, cooperative planning and assistance to the maximum extent possible.

In 2011-12, the Town engaged the community in the creation of a new comprehensive plan, Chapel Hill 2020. The 2020 process brought together all stakeholders, including people who live, work, invest or play in the town, through a year-long series of discussions to provide input into the development of a guiding document that articulates the comprehensive vision and direction of the Town. The Town Council adopted Chapel Hill 2020 in June 2012, and directed a refinement of several small area plans and the Town's land development regulations as the

first implementation phase of the new comprehensive plan. The implementation of 2020 which began in FY2013, included a series of small area focus plans and the launch of proposed revisions to the Land Use Management Ordinance (LUMO). These revisions include: rezoning for the Ephesus-Fordham area, Central West Small Area planning, a NC-DOT grant-funded bicycle plan, two development agreement negotiations (Glen Lennox and Obey Creek), the LUMO review, reconsideration of the Town's advisory board structure, and work on the Town's housing policies and community engagement practices. These efforts are anticipated to span several years, bringing the Town's community vision, regulations, and policies into closer alignment.

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

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The dedication of a portion of the tax rate to debt service in 2008, along with the opportunity to pay off existing debt during the delay in issuing the remainder of the authorized general obligation bonds, allowed the Debt Fund to meet debt service needs from fund balance. Although the issuance of the final 2003 bonds brought debt service costs temporarily above the established guideline of 12% of general fund expenditures, debt service is expected to fall below 12% by 2015-16.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2013-14 budget, with the allocation of fund balance for (one-time) workforce development projects and for capital maintenance projects.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chapel Hill for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

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 2013-14. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required categories, as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,

Roger L. Stancil
Town Manager



Kenneth C. Pennoyer
Business Management Director





Government Finance Officers Association

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

Presented to

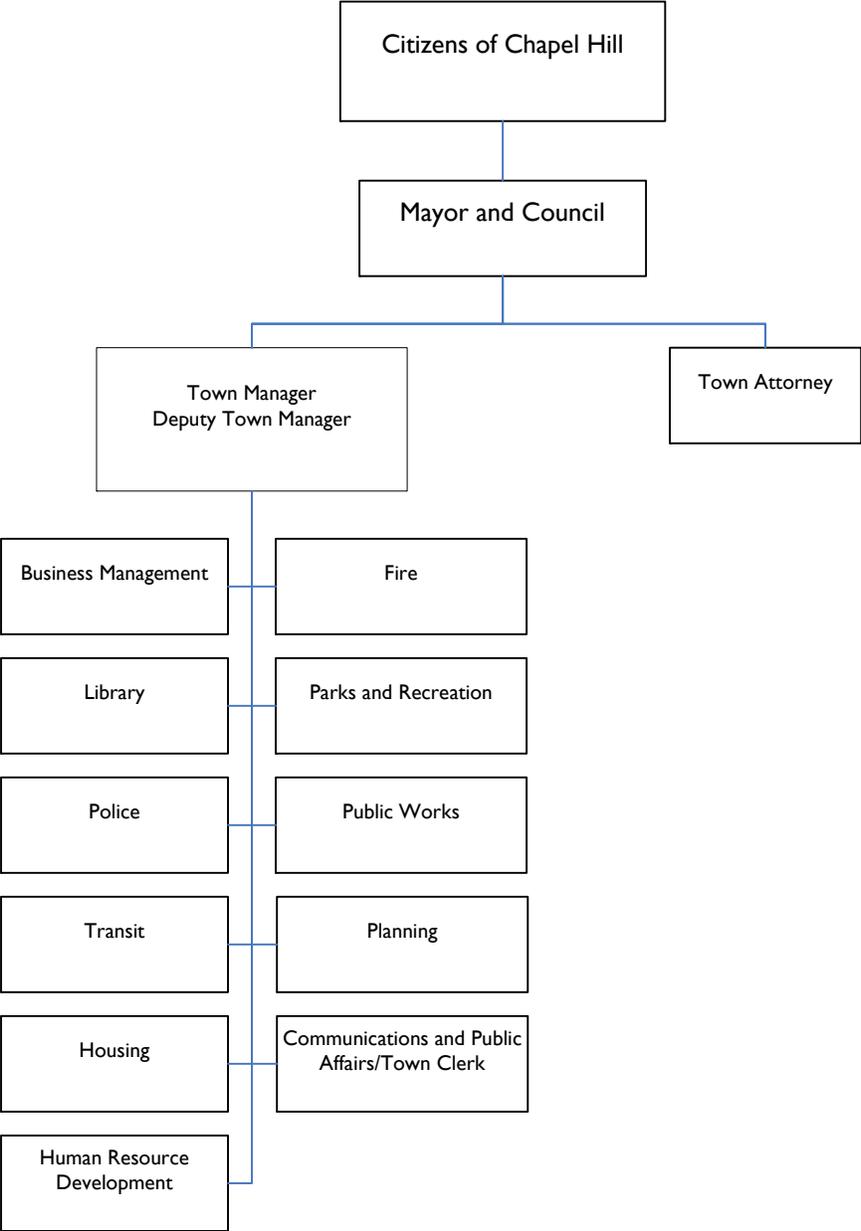
**Town of Chapel Hill
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATIONAL CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2014
MEMBERS OF THE GOVERNING BODY**

Mayor

Mark Kleinschmidt

Mayor pro tem

Sally Greene

Council Members

Donna Bell

George Cianciolo

Matt Czajkowski

Ed Harrison

Maria Palmer

Lee Storrow

Jim Ward

Administrative and Financial Staff

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapel Hill's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required

part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act and is also not a required part of the basic financial statements.

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

The introductory section and statistical 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the Town of Chapel Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chapel Hill's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
October 29, 2014

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Management's Discussion and Analysis

Our discussion is intended as an overview of the financial performance of the Town of Chapel Hill for the fiscal year ended June 30, 2014. 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

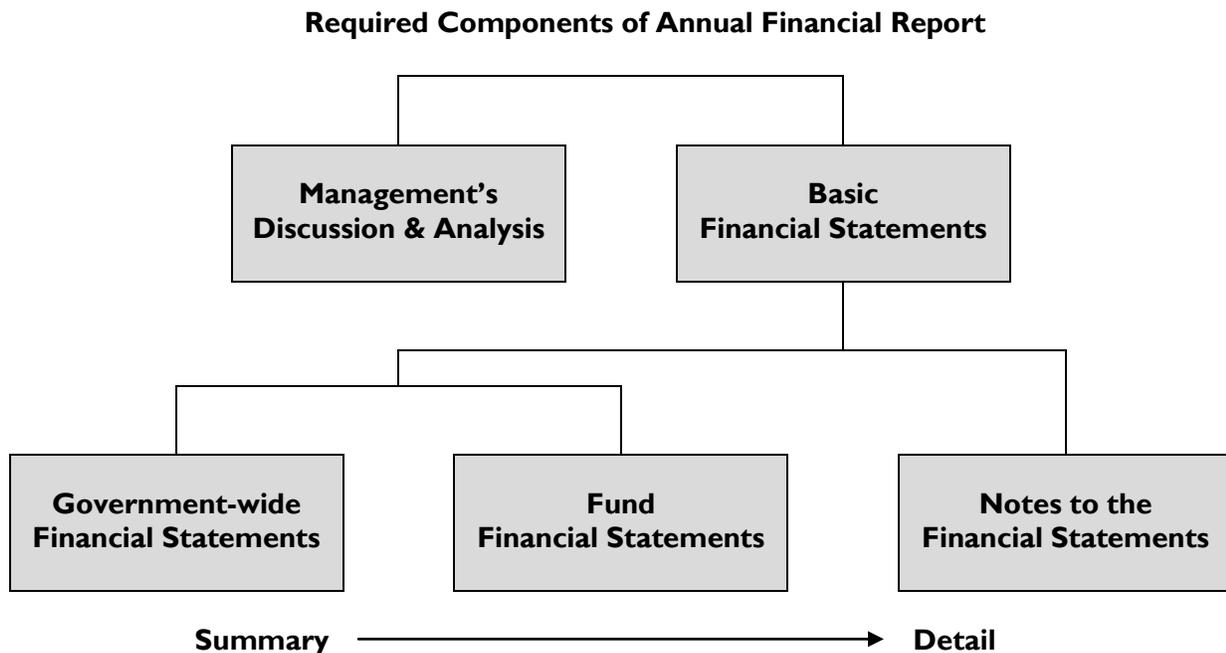
Highlights of the Town's fiscal year ended June 30, 2014, include:

- The assets of the Town of Chapel Hill exceeded its liabilities and deferred inflows of resources as of the close of the fiscal year by \$154.5 million (net position.)
- The government's total net position decreased by about \$931,000, the net of an \$837,000 decrease in business-type activities net position and a \$94,000 decrease in governmental activities net position.
- The fiscal year's activities continued the slow recovery of recent years from the 2008 recession and continue to validate the measures that were undertaken to deal with it. In fiscal year 2014, the management of the Town continued with budget initiatives that began in the fall of 2008 to deal with potential revenue shortfalls and to align revenues with expenditures.
- The strategies employed to deal with the possibility of reduced revenues proved successful. A tax increase of one cent in the general fund helped to fund several large initiatives (closure of landfill, expanded library service hours and restoration of street paving) and with minimal service cuts, assets decreased by \$714,000 and liabilities only increased by \$217,000, for a net use of net position of about \$931,000.
- 2013 saw the completion of the expanded Chapel Hill Library. At 63,800 square feet, the expanded library is more than double the size of the old one, and contains several specialized functional areas, including a 5,500 square feet of meeting rooms, a 10,000 square foot children's room, a 1,300 square foot teen room, and 1,200 square feet of computer class room.

Management's Discussion and Analysis

- At June 30, 2014, total net position of \$154.5 million represents capital assets and restricted net position which has been reserved for specific purposes, with a balance of \$8.5 million that is unrestricted. Restrictions for Stabilization by State Statute accounts for \$18.9 million of net position, largely representing bond and capital funds (\$4.6 million) and outstanding purchase orders for the ongoing capital projects (\$3.5 million), and outstanding purchase orders for ongoing Town operating costs (\$2.4 million.)
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$42.7 million, a decrease of \$1.1 million in comparison with the prior year.
- Unassigned fund balance of the General Fund (totaling approximately \$11.1 million) continues to meet working capital requirements and a policy of reserving at least 12% of the succeeding fiscal year budget. Legal provisions and financial policies of the Town restrict fund balance in other funds for the purposes of those funds.
- The Town's total long-term liabilities decreased by \$300,000 to \$73.4 million as a result of paying off existing debt.
- Property taxes supported 51% of the governmental services to citizens and the community in fiscal year 2014.
- 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



Management's Discussion and Analysis

Basic Financial Statements

This discussion and analysis serves as an introduction to Chapel Hill's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Chapel Hill, including a statistical section. This report includes all funds of the Town as well as a component unit, which is described below. Note A in the financial report includes a further discussion of the reporting entity and descriptions of funds.

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Management's Discussion and Analysis

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

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

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 39 through 76 of this report.

Supplemental Information includes certain required information concerning the Town's progress in funding its obligation to provide separation allowance for law enforcement officers and other postemployment benefits. Required supplementary information can be found beginning on page 77 of this report.

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

Budgetary Statements are required by the General Statutes and can be found in this part of the financial report. The Town adopts an annual budget for its General Fund and other governmental funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from citizens, management, and the Town Council about which services to provide and how to pay for them. The budget also authorizes the Town to obtain funds from identified sources to finance current period activities. The budgetary statements demonstrate compliance with the budget ordinance and performance of services planned at budget adoption. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language and classifications as the legal budget document. The statements show four columns: the original budget as adopted by the Council, the final budget as amended, the actual resources, charges to appropriations and ending balances and the difference or variance between the final budget and the actuals.

Management's Discussion and Analysis

Government-Wide Financial Analysis

Figure 2 below is a summary of net position for the Town of Chapel Hill at June 30, 2014 (as shown in Exhibit 1) with comparative data from June 30, 2013.

Town of Chapel Hill's Net Position						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 52,685,697	\$ 52,096,024	\$ 17,234,105	\$ 14,127,615	\$ 69,919,802	\$ 66,223,639
Capital assets	120,608,289	122,381,853	50,976,684	53,612,945	171,584,973	175,994,798
Total assets	173,293,986	174,477,877	68,210,789	67,740,560	241,504,775	242,218,437
Current liabilities	12,126,849	11,383,893	1,666,244	1,582,009	13,793,093	12,965,902
Non-current liabilities	66,443,363	68,198,291	6,765,206	5,495,882	73,208,569	73,694,173
Deferred inflows of resources	16,837	94,321	-	46,380	16,837	140,701
Total liabilities and deferred inflows of resources	78,587,049	79,676,505	8,431,450	7,124,271	87,018,499	86,800,776
Net position:						
Net investment in capital assets	73,079,773	71,955,972	50,976,684	53,612,945	124,056,457	125,568,917
Restricted for:						
Stabilization by State Statute	18,936,342	17,997,797	-	-	18,936,342	17,997,797
Capital projects	1,874,739	2,593,463	-	-	1,874,739	2,593,463
Public housing	594,147	450,450	-	-	594,147	450,450
Other functions	475,267	634,129	-	-	475,267	634,129
Unrestricted	(253,331)	1,169,561	8,802,655	7,003,344	8,549,324	8,172,905
Total net position	\$ 94,706,937	\$ 94,801,372	\$ 59,779,339	\$ 60,616,289	\$ 154,486,276	\$ 155,417,661

The assets of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$154.5 million as of June 30, 2014. The Town's net position decreased by a total of \$931,000 for the fiscal year, the net of a \$837,000 decrease in business-type activities and a \$94,000 decrease in governmental activities.

The largest portion (80%) of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A large portion of the Town of Chapel Hill's net position (about \$21.9 million) represents resources that are subject to external restrictions on how they may be used, leaving a balance of \$8.5 million in unrestricted net position.

Management's Discussion and Analysis

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2014, with comparative data for June 30, 2013.

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 6,249,470	\$ 5,640,601	\$ 6,996,499	\$ 6,213,396	\$ 13,245,969	\$ 11,853,997
Operating grants and contributions	4,858,995	4,172,211	15,217,232	16,535,515	20,076,227	20,707,726
Capital grants and contributions	3,469,071	10,429,387	2,253,820	8,952,435	5,722,891	19,381,822
General revenues:						
Taxes	46,529,226	44,395,971	3,794,976	2,987,412	50,324,202	47,383,383
Grants and contributions not restricted to specific programs	4,000,460	3,990,640	-	-	4,000,460	3,990,640
Investment earnings	34,491	91,575	15,644	10,765	50,135	102,340
Other	1,792,297	2,486,465	288,341	(930,194)	2,080,638	1,556,271
Total revenues	66,934,010	71,206,850	28,566,512	33,769,329	95,500,522	104,976,179
Expenses:						
General government	10,010,914	10,074,521	-	-	10,010,914	10,074,521
Environment and development	23,481,833	32,680,272	-	-	23,481,833	32,680,272
Public safety	21,303,785	21,357,911	-	-	21,303,785	21,357,911
Leisure activities	11,131,488	11,191,585	-	-	11,131,488	11,191,585
Interest expense	2,300,475	2,880,837	-	-	2,300,475	2,880,837
Transportation	-	-	21,286,421	21,819,683	21,286,421	21,819,683
Parking facilities	-	-	2,101,226	1,940,918	2,101,226	1,940,918
Stormwater management	-	-	1,799,370	1,765,150	1,799,370	1,765,150
Housing operations	-	-	3,016,395	2,380,410	3,016,395	2,380,410
Total expenses	68,228,495	78,185,126	28,203,412	27,906,161	96,431,907	106,091,287
Increase (decrease) in net position before transfers	(1,294,485)	(6,978,276)	363,100	5,863,168	(931,385)	(1,115,108)
Transfers	1,200,050	728,692	(1,200,050)	(728,692)	-	-
Increase (decrease) in net position Net position, July 1	(94,435)	(6,249,584)	(836,950)	5,134,476	(931,385)	(1,115,108)
Net position, July 1	94,801,372	101,050,956	60,616,289	55,481,813	155,417,661	156,532,769
Net position, June 30	\$ 94,706,937	\$ 94,801,372	\$ 59,779,339	\$ 60,616,289	\$ 154,486,276	\$ 155,417,661

Management's Discussion and Analysis

Governmental activities. Governmental activities show a decrease in net position of about \$94,000.

Business-type activities: Business-type activities decreased Chapel Hill's net position by about \$837,000. The Transit fund had a \$1.87 million decrease in net position as a result of increased costs to operate the transit system. Through growth in development and receipts, the Stormwater Management Fund gained \$366,000 in net position. The Housing Operating Fund had an increase of \$1.4 million as a result of a \$2.1 million capital contribution offset by continuing existing operations with a decrease in federal operating subsidy. The Parking Facilities Funds had an anticipated decrease in net position of \$730,000 with the completion of construction of the 140 West parking deck.

Financial Analysis of the Town's Funds

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

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

At June 30, 2014, the governmental funds of Chapel Hill reported a combined fund balance of about \$42.7 million, a decrease of \$1.1 million or 2.4% from last year. This change is largely the result of the completion of capital projects.

The General Fund is the chief operating fund of Chapel Hill. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.1 million, with total fund balance of \$26.1 million. The fund balance available for appropriation according to the statutory calculation is 29.9% of expenditures for FY14, and the Town Council guideline requires that we maintain at least a fund balance of 15% of expenditures in case of unforeseen needs. Unassigned fund balance represents 20.7%, and total fund balance, which includes reserves and designated amounts, represents 48.6% of total 2013-14 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$2.6 million.

The Debt Service Fund, funded by a portion of the property tax rate and committed by the Council to making debt payments, had an anticipated decrease in fund balance of \$536,254 in FY14 as reserves are supplementing taxes to make debt payments.

The Capital Projects Ordinance Fund reflects a \$3.37 million decrease in fund balance, largely the use of bond proceeds for large ongoing capital projects.

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

Conservative budgeting principles result in actual revenues exceeding budget estimates. With the economy showing signs of recovery, the actual revenues were about \$2.6 million more than budgeted.

Management's Discussion and Analysis

Sales taxes continued at pre-recession levels, with receipts exceeding estimates by about \$288,000. Property tax receipts were over budget by \$494,000 for the year. Intergovernmental revenues were \$396,000 over budget. Signs of recovery were also reflected in development-related income, with Licenses and Permits which exceeded budget by \$458,000. Other revenue sources also slightly exceeded budget.

Expenditures were about \$5.7 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2013-14, reducing the requirements for road clearing, debris cleanup and heating of buildings. The delayed hiring of positions in Solid Waste and the Library, pending the closure of the Orange County landfill and the opening of the new Library also reduced expenditures during the year. In addition to efforts to curtail spending through the delayed hiring of open positions and other cost-cutting measures, the savings include \$1.2 million budgeted to fund Other Post-Employment Benefits that have not yet been placed in trust, and about \$2.4 million represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$7.5 million for the Transit Fund, \$2.5 million for the Housing Operating Fund and \$1.7 million for the Stormwater Management Fund. With the completion of the parking deck at 140 West, the Parking Facilities Fund shows an anticipated decrease in overall net position of \$731,000, comprised of a deficit in unrestricted net position of \$2.8 million with \$3.7 million invested in capital assets, net of related debt. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

Capital Asset and Debt Administration

Capital assets. Figure 4 on the next page represents the Town of Chapel Hill's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities. As of June 30, 2014, capital assets totaled \$171,584,973 compared with \$175,994,798 in the prior fiscal year, with the overall decrease the result of accumulated depreciation in excess of additions for the year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

Management's Discussion and Analysis

Town of Chapel Hill Capital Assets (net of depreciation) Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 27,328,900	\$ 27,001,106	\$ 6,962,311	\$ 6,962,311	\$ 34,291,211	\$ 33,963,417
Easements	107,407	78,290	-	-	107,407	78,290
Land improvements	14,946,078	14,712,033	3,347,150	3,537,044	18,293,228	18,249,077
Infrastructure	12,501,832	14,438,247	-	-	12,501,832	14,438,247
Buildings and building improvements	52,324,495	55,594,986	20,946,663	20,495,297	73,271,158	76,090,283
Equipment	1,542,341	1,090,477	575,720	846,792	2,118,061	1,937,269
Vehicles	4,243,270	4,619,599	19,018,782	21,764,774	23,262,052	26,384,373
Construction in progress	7,613,966	4,847,115	126,058	6,727	7,740,024	4,853,842
Total	\$ 120,608,289	\$ 122,381,853	\$ 50,976,684	\$ 53,612,945	\$ 171,584,973	\$ 175,994,798

Long-term Debt. As shown in Figure 5 on the next page, as of June 30, 2014 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$28,141,000. The Town also had \$24,465,000 of debt in limited obligation bonds to refund certificates of participation for funding construction of the Town Operations Center and construction of the Wallace Parking Deck, to refund installment notes for parks construction projects and to fund Parking projects and renovations to the Town Operations Center. Total debt of about \$81 million includes the addition of other postemployment benefits totaling \$21.2 million as required by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 71 of the Notes to the Financial Statements.

Management's Discussion and Analysis

Town of Chapel Hill Outstanding Debt Figure 5

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 28,141,000	\$ 30,820,000	\$ -	\$ -	\$ 28,141,000	\$ 30,820,000
Limited obligation bonds	24,465,000	26,585,000	-	-	24,465,000	26,585,000
Installment notes payable	3,890,775	4,172,666	-	-	3,890,775	4,172,666
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	241,947	239,126	-	-	241,947	239,126
Compensated absences	2,468,224	2,374,171	606,610	591,016	3,074,834	2,965,187
Other postemployment benefits	14,424,872	11,691,537	6,740,980	5,464,712	21,165,852	17,156,249
Total	\$ 73,754,964	\$ 76,005,646	\$ 7,347,590	\$ 6,055,728	\$ 81,102,554	\$ 82,061,374

The Town's total debt from governmental activities decreased by \$2.25 million or 3%, to \$73.75 million during the past fiscal year. The decrease represents payments made during the year toward general obligation bonds and limited obligation bonds and other debt netted with the annual increase in other postemployment benefits.

Business-type debt increased by about \$1.3 million to \$7.3 million, a net of the addition to post-employment benefits and the payments made during the year. During the year, the Town also added installment financing for vehicle replacement of \$872,000 and there was a slight decrease in the debt recorded for variation in compensated absences due to employees.

As mentioned in the financial highlights section of this document, at June 30, 2014 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation. The Town of Chapel Hill is among a small number of municipalities its size in the country that maintains such a high financial rating. This achievement assists the Town to keep low interest cost on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chapel Hill is about \$569 million, well above the town's outstanding debt for general obligation bonds of approximately \$28.1 million, which is about 4.7% 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 59 of this report.

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Chapel Hill had an unemployment rate of about 4.9% at June 30, 2014, well below the state average of 8%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities:

General Fund revenues budgeted for FY15 total \$58.3 million, including the use of \$2.65 million in fund balance, reflecting a 4.2% increase from the budget for 2013-14. Property values were last reassessed by Orange County in 2009, with revaluation historically occurring every four years. Based on the scarcity of sales upon which to base a new valuation, Orange County has decided to delay revaluation until 2016-17. The Town added one cent to the property tax rates for the Debt Fund for a total tax rate of 52.4 cents as shown below.

Adopted Tax Rate	Cents per \$100 valuation		
	FY 13-14	FY 14-15	\$ Change
General Fund	\$ 38.8	\$ 38.8	\$ -
Debt Fund	7.5	8.5	1.0
Transit Fund	5.1	5.1	-
Total Tax Rate	\$ 51.4	\$ 52.4	\$ 1.0

Tax collection rates in Orange County have been maintained in excess of 99% despite the economic downturn. The continuation of collection rates, tax rate increase and recent growth lead to estimates of an increase of about \$1 million over 2013-14 for the General Fund. The delay in the issuance of approved bonds in 2010 allowed for the payoff of existing debt, and the savings achieved through refunding existing debt in FY13 and FY14 enabled the Debt Fund to meet debt service requirements with appropriated fund balance.

Sales taxes are budgeted at \$10.9 million, a 6% increase from 2013-14's budget as we anticipate a continuation of economic recovery. Occupancy taxes also reflect a 1% increase, along with 16% increases in charges for services, particularly in the Greater Chapel Hill Fire District fees. We expect continued increase in permits and licenses, while other General Fund revenues are relatively flat.

General Fund expenditures of \$58.3 million represent a 6.4% increase from 2013-14. The goals of the budget for 2013-14 were to maintain the tax rate while retaining core services, to retain employees and to reduce the use of fund balance to achieve a more sustainable budget as the economic recovery is expected to continue. The budget maintains service levels and includes a 7% increase in medical insurance costs, a reduction in retiree health costs, and a slight increase in the employer's contribution

Management's Discussion and Analysis

to the Local Government Employees Retirement System. The budget also includes funding for a 3% raise in employee pay.

The allocation for capital improvements, which has been reduced in recent years as a budget saving measure, was increased to \$779,000 from \$758,500, to allow for capital maintenance and some facility improvements.

Debt service costs in 2013-14 are budgeted at \$7.5 million, while sequestration slightly reduced the interest rate subsidy for Build America Bonds the Town continues to receive an interest subsidy of \$168,000 to recoup some of the expense. The Debt Service tax rate of \$8.5 cents per \$100 in valuation is expected to generate about \$6.4 million.

Other governmental activities budgeted for 2014-15 reflect a continuation of existing service levels in keeping with the budget goals for FY15.

Business – type Activities:

The Transit Fund's 2014-15 budget of \$20.5 million continues the fare-free system with an increase in contributions from the system partners, the University of North Carolina and Town of Carrboro. With the additional cent on the tax rate starting in the FY 2013-14 budget, the Transit Fund's portion of property taxes is budgeted at \$3.9 million. The Transit budget includes \$1.1 million in new vehicles fees levied by Orange County. Overall the Transit budget increased 3.8% over the 2013-14 budget.

The Parking Facilities Fund budget decreased 3% overall from 2013-14 based on the reduction in one-time costs associated with opening the 140 West garage and cost cutting measures put into place to help manage the new 140 West debt payments.

Housing Operating revenues reflect an increase in HUD contributions of 2% and an increase in rental income of 10%. Planned usage of fund balance in the amount of \$432,381 was budgeted for roof repairs at several of the housing units.

Stormwater Management's budget for 2014-15 reflects the second year at the new rate of \$48 per Equivalent Rate Unit, providing an additional 3.5% increase in fees budgeted. Expenditures include funding for a large capital project, a culvert replacement on Elliot Road totaling \$750,000, requiring the use of \$396,000 in fund balance.

Requests for Information

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 29,763,476	\$ 17,609,923	\$ 47,373,399	\$ 18,077,284
Taxes receivable, net	185,183	24,402	209,585	-
Accounts receivable, net	438,810	531,733	970,543	4,578,943
Due from other governments	7,443,651	2,581,148	10,024,799	-
Internal balances	4,390,480	(4,390,480)	-	-
Inventories	58,054	801,726	859,780	969,451
Prepaid items	6,460	-	6,460	81,647
Restricted cash and cash equivalents	2,504,930	75,653	2,580,583	6,414,697
Total current assets	44,791,044	17,234,105	62,025,149	30,122,022
Non-current assets:				
Restricted cash and cash equivalents	7,894,653	-	7,894,653	187,910
Capital assets (Note F):				
Land and construction in progress	35,050,273	7,088,369	42,138,642	42,757,047
Other capital assets, net of accumulated depreciation	85,558,016	43,888,315	129,446,331	256,918,869
Total capital assets	120,608,289	50,976,684	171,584,973	299,675,916
Total non-current assets	128,502,942	50,976,684	179,479,626	299,863,826
Total assets	173,293,986	68,210,789	241,504,775	329,985,848
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	-	2,254,961
Total deferred outflows of resources	-	-	-	2,254,961
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	4,063,203	966,755	5,029,958	2,687,674
Other liabilities	-	41,452	41,452	-
Liabilities payable from restricted assets	752,045	75,653	827,698	2,799,723
Current portion of long-term liabilities	7,311,601	582,384	7,893,985	5,866,696
Total current liabilities	12,126,849	1,666,244	13,793,093	11,354,093
Non-current liabilities:				
Due in more than one year	66,443,363	6,765,206	73,208,569	82,489,400
Total non-current liabilities	66,443,363	6,765,206	73,208,569	82,489,400
Total liabilities	78,570,212	8,431,450	87,001,662	93,843,493
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	16,837	-	16,837	-
Total deferred inflows of resources	16,837	-	16,837	-
NET POSITION				
Net investment in capital assets	73,079,773	50,976,684	124,056,457	219,522,714
Restricted for:				
Stabilization by State Statute	18,936,342	-	18,936,342	-
Capital projects	1,874,739	-	1,874,739	-
Public housing	594,147	-	594,147	-
Other functions	475,267	-	475,267	-
Water and sewer	-	-	-	187,910
Unrestricted	(253,331)	8,802,655	8,549,324	18,686,692
Total net position	\$ 94,706,937	\$ 59,779,339	\$ 154,486,276	\$ 238,397,316

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, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 10,010,914	\$ 1,874,861	\$ -
Environment and development	23,481,833	2,960,803	2,888,753
Public safety	21,303,785	368,938	1,374,748
Leisure activities	11,131,488	1,044,868	595,494
Interest expense	2,300,475	-	-
Total governmental activities	68,228,495	6,249,470	4,858,995
Business-type activities:			
Transportation	21,286,421	1,565,824	13,985,562
Parking Facilities	2,101,226	2,395,883	-
Housing Operations	3,016,395	882,363	1,231,670
Stormwater Management	1,799,370	2,152,429	-
Total business-type activities	28,203,412	6,996,499	15,217,232
Total primary government	\$ 96,431,907	\$ 13,245,969	\$ 20,076,227
Component unit - Orange Water and Sewer Authority	\$ 31,648,089	\$ 35,843,032	\$ -

General revenues:

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

Grants and contributions not restricted to specific programs:

- Intergovernmental
- Investment earnings
- Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues, proceeds and transfers

Change in net position

Net position - beginning of year

Net position - end of year

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

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (8,136,053)	\$ -	\$ (8,136,053)	\$ -
2,671,685	(14,960,592)	-	(14,960,592)	-
-	(19,560,099)	-	(19,560,099)	-
797,386	(8,693,740)	-	(8,693,740)	-
-	(2,300,475)	-	(2,300,475)	-
<u>3,469,071</u>	<u>(53,650,959)</u>	<u>-</u>	<u>(53,650,959)</u>	<u>-</u>
176,358	-	(5,558,677)	(5,558,677)	-
-	-	294,657	294,657	-
2,077,462	-	1,175,100	1,175,100	-
-	-	353,059	353,059	-
<u>2,253,820</u>	<u>-</u>	<u>(3,735,861)</u>	<u>(3,735,861)</u>	<u>-</u>
<u>\$ 5,722,891</u>	<u>(53,650,959)</u>	<u>(3,735,861)</u>	<u>(57,386,820)</u>	<u>-</u>
<u>\$ 849,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,044,268</u>
	34,876,543	3,794,976	38,671,519	-
	10,548,129	-	10,548,129	-
	1,044,856	-	1,044,856	-
	59,698	-	59,698	-
	4,000,460	-	4,000,460	-
	34,491	15,644	50,135	14,755
	<u>1,792,297</u>	<u>288,341</u>	<u>2,080,638</u>	<u>1,200,778</u>
	52,356,474	4,098,961	56,455,435	1,215,533
	<u>1,200,050</u>	<u>(1,200,050)</u>	<u>-</u>	<u>-</u>
	<u>53,556,524</u>	<u>2,898,911</u>	<u>56,455,435</u>	<u>1,215,533</u>
	(94,435)	(836,950)	(931,385)	6,259,801
	<u>94,801,372</u>	<u>60,616,289</u>	<u>155,417,661</u>	<u>232,137,515</u>
	<u>\$ 94,706,937</u>	<u>\$ 59,779,339</u>	<u>\$ 154,486,276</u>	<u>\$ 238,397,316</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 Transit Capital Grant fund, Housing Capital Grant fund, and other capital and special revenue funds.

BUSINESS-TYPE FUNDS

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

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

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

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

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

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2014

	Major Funds				
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 21,780,680	\$ 1,133,762	\$ 584,718	\$ 3,842,576	\$ 27,341,736
Receivables:					
Due from other funds	1,756,706	3,585,481	-	-	5,342,187
Property taxes, net	149,295	35,888	-	-	185,183
Governmental units and agencies	5,650,332	84,683	743,733	964,903	7,443,651
Other	409,465	-	-	10,620	420,085
Inventories	2,670	-	-	16,538	19,208
Prepaid items	350	-	-	6,110	6,460
Restricted cash and equivalents	286,358	-	6,586,475	1,021,820	7,894,653
TOTAL ASSETS	<u>30,035,856</u>	<u>4,839,814</u>	<u>7,914,926</u>	<u>5,862,567</u>	<u>48,653,163</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 951,707	\$ 951,707
Accounts payable	2,277,683	-	299,169	271,425	2,848,277
Accrued liabilities	943,923	-	-	6,048	949,971
Accounts payable from restricted assets	82,086	-	-	349,261	431,347
Other payables from restricted assets	204,272	-	61,135	55,291	320,698
Total liabilities	<u>3,507,964</u>	<u>-</u>	<u>360,304</u>	<u>1,633,732</u>	<u>5,502,000</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	166,346	35,888	-	-	202,234
Fees and charges receivable	205,218	-	-	-	205,218
Prepaid taxes	16,837	-	-	-	16,837
Total deferred inflows of resources	<u>388,401</u>	<u>35,888</u>	<u>-</u>	<u>-</u>	<u>424,289</u>

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Nonspendable					
Inventories	\$ 2,670	\$ -	\$ -	\$ 16,538	\$ 19,208
Prepaid items	350	-	-	6,110	6,460
Restricted					
Stabilization by State Statute	9,994,453	3,670,164	1,849,512	3,422,213	18,936,342
Employee appreciation	94,489	-	-	-	94,489
Parks capital projects	139,757	-	3,171,150	65,883	3,376,790
Streets capital projects	213,788	-	2,546,208	-	2,759,996
Municipal buildings projects	-	-	1,605,667	-	1,605,667
Public housing	-	-	-	594,147	594,147
Public safety	372,598	-	-	8,180	380,778
Transit capital purchases	-	-	-	60,529	60,529
Infrastructure capital projects	-	-	-	214,756	214,756
Library	-	-	186,415	257,061	443,476
Committed					
Debt service payments	-	4,803,926	-	-	4,803,926
Municipal buildings projects	-	-	-	475,687	475,687
Technology capital projects	-	-	25,202	751,137	776,339
Fire capital projects	-	-	-	20,353	20,353
Public housing	-	-	-	353,843	353,843
Economic development	72,513	-	22,980	62,137	157,630
Assigned					
Subsequent year's expenditures	2,654,093	-	-	28,841	2,682,934
Other post employment benefits	1,200,000	-	-	-	1,200,000
Parks capital projects	-	-	-	85,538	85,538
Workforce Development	89,750	-	-	-	89,750
Municipal buildings projects	-	-	-	318,978	318,978
Economic development	161,223	-	-	-	161,223
Streets capital projects	-	-	-	7,209	7,209
Technology capital projects	-	-	-	4,464	4,464
Unassigned	11,143,807	(3,670,164)	(1,852,512)	(2,524,769)	3,096,362
Total fund balances	26,139,491	4,803,926	7,554,622	4,228,835	42,726,874
TOTAL LIABILITIES, DEFERRED					
INFLOWS AND FUND BALANCES	<u>\$ 30,035,856</u>	<u>\$ 4,839,814</u>	<u>\$ 7,914,926</u>	<u>\$ 5,862,567</u>	<u>\$ 48,653,163</u>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances - total governmental funds \$ 42,726,874

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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

Governmental capital assets	180,223,202	
Less accumulated depreciation	<u>63,729,152</u>	116,494,050

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

Governmental bonds payable, certificates of participation and installment purchases	(52,606,000)	
Other postemployment benefits	(14,163,645)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(241,947)	
Accrued vacation payable	<u>(2,433,419)</u>	(69,568,157)

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

407,452

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

The assets and liabilities of the internal service funds that are reported within governmental activities		<u>4,646,718</u>
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Net position of governmental activities \$ 94,706,937

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, 2014

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
REVENUES					
Taxes	\$ 40,696,859	\$ 5,586,519	\$ -	\$ 245,848	\$ 46,529,226
Licenses and permits	2,683,188	-	-	-	2,683,188
Fines and forfeitures	19,943	-	-	-	19,943
Intergovernmental revenues					
Federal government	323,673	169,366	750,460	2,559,355	3,802,854
State government	6,622,235	-	-	13,516	6,635,751
Other	1,228,933	-	634,357	26,631	1,889,921
Charges for services	3,435,270	-	-	-	3,435,270
Interest on investments	25,553	4,005	1,020	3,913	34,491
Franchise rental fees	-	-	-	71,766	71,766
Program income	-	-	-	39,303	39,303
Donations	108,423	-	-	142,136	250,559
Revenue in lieu	262,629	-	-	182,560	445,189
Mutual aid reimbursements	486,784	-	-	-	486,784
Insurance recovery	44,340	-	-	267,092	311,432
Other	277,446	-	-	20,887	298,333
Total revenues	56,215,276	5,759,890	1,385,837	3,573,007	66,934,010
EXPENDITURES					
General government	9,541,046	-	-	-	9,541,046
Environment and development	13,585,175	-	-	1,160,090	14,745,265
Public safety	19,875,998	-	-	70,009	19,946,007
Leisure activities	8,277,168	-	-	171,932	8,449,100
Capital projects	-	-	4,750,741	4,562,538	9,313,279
Debt service:					
Principal	-	4,904,000	-	-	4,904,000
Interest and fiscal charges	-	2,300,475	-	-	2,300,475
Total expenditures	51,279,387	7,204,475	4,750,741	5,964,569	69,199,172
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,935,889	(1,444,585)	(3,364,904)	(2,391,562)	(2,265,162)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	\$ 170,424	\$ 908,331	\$ -	\$ 2,665,398	\$ 3,744,153
Transfer to other funds	(2,494,604)	-	(4,499)	(45,000)	(2,544,103)
Total other financing sources (uses)	(2,324,180)	908,331	(4,499)	2,620,398	1,200,050
NET CHANGE IN TOTAL FUND BALANCES	2,611,709	(536,254)	(3,369,403)	228,836	(1,065,112)
FUND BALANCES, BEGINNING	23,527,782	5,340,180	10,924,025	3,999,999	43,791,986
FUND BALANCES, ENDING	\$ 26,139,491	\$ 4,803,926	\$ 7,554,622	\$ 4,228,835	\$ 42,726,874

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

GOVERNMENTAL FUNDS

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

Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (1,065,112)
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Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Expenditures for capital assets	5,479,244	
Current year's depreciation	<u>6,274,216</u>	(794,972)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net position.	(641,275)
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Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net position.

Principal payments	4,904,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds

Change in long-term compensated absences	(94,195)
Change in long-term separation allowance	(2,821)
Other postemployment benefits	(2,681,248)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,515
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Internal service funds are used by management to charge the costs of certain activities to individual funds	<u>253,673</u>
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Change in net position of governmental activities	<u>\$ (94,435)</u>
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The notes to the financial statements are an integral part of this statement.

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 28,550,000	\$ 28,550,000	\$ 29,044,176	\$ 494,176
Local option sales taxes	10,260,000	10,260,000	10,548,129	288,129
Other taxes	1,019,000	1,019,000	1,104,554	85,554
Licenses and permits	1,888,515	1,888,515	2,683,188	794,673
Fines and forfeitures	31,325	31,325	19,943	(11,382)
Intergovernmental revenues	7,037,016	7,778,885	8,174,841	395,956
Charges for services	3,317,469	3,492,469	3,435,270	(57,199)
Interest on investments	20,000	20,000	25,553	5,553
Other	556,800	588,099	1,179,622	591,523
TOTAL REVENUES	52,680,125	53,628,293	56,215,276	2,586,983
EXPENDITURES				
General government	10,816,566	11,906,004	9,541,046	2,364,958
Environment and development	13,445,192	14,984,209	13,585,175	1,399,034
Public safety	20,907,614	21,056,669	19,875,998	1,180,671
Leisure activities	8,777,002	9,044,729	8,277,168	767,561
Total expenditures	53,946,374	56,991,611	51,279,387	5,712,224
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,266,249)	(3,363,318)	4,935,889	8,299,207
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	122,225	122,225	170,424	48,199
Transfer to other funds	(842,126)	(2,505,779)	(2,494,604)	11,175
Appropriated fund balance	1,986,150	5,746,872	-	(5,746,872)
Total other financing sources (uses)	1,266,249	3,363,318	(2,324,180)	(5,687,498)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ 2,611,709	\$ 2,611,709
FUND BALANCE, BEGINNING			23,527,782	
FUND BALANCE, ENDING			\$ 26,139,491	

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF FUND NET POSITION

JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 10,485,733	\$ 1,243,445	\$ 4,000,842	\$ 1,879,903
Restricted cash and cash equivalents	-	-	74,053	1,600
Receivables:				
Accounts receivable, net	151,286	37,246	2,250	340,951
Due from other funds	134,321	-	-	-
Governmental units and agencies	2,567,281	-	-	13,867
Property taxes, net	24,402	-	-	-
Prepaid items	-	-	-	-
Inventories	679,342	-	122,384	-
Total current assets	<u>14,042,365</u>	<u>1,280,691</u>	<u>4,199,529</u>	<u>2,236,321</u>
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,161,115	1,784,914	42,803
Other capital assets, net of accumulated depreciation	33,393,563	529,479	9,062,076	903,197
Total capital assets, net	<u>35,493,100</u>	<u>3,690,594</u>	<u>10,846,990</u>	<u>946,000</u>
Total noncurrent assets	<u>35,493,100</u>	<u>3,690,594</u>	<u>10,846,990</u>	<u>946,000</u>
TOTAL ASSETS	<u>49,535,465</u>	<u>4,971,285</u>	<u>15,046,519</u>	<u>3,182,321</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	463,587	72,289	83,551	45,504
Accrued liabilities	241,982	12,783	21,623	25,436
Deposits payable from restricted assets	-	-	74,053	1,600
Due to other funds	-	3,585,481	939,320	-
Compensated absences	427,441	41,819	58,090	55,034
Unearned revenue	41,452	-	-	-
Installment purchase agreements	-	-	-	-
Total current liabilities	<u>1,174,462</u>	<u>3,712,372</u>	<u>1,176,637</u>	<u>127,574</u>
NONCURRENT LIABILITIES				
Compensated absences	3,539	4,059	13,615	3,013
Other postemployment benefits	5,375,897	408,875	504,893	451,315
Installment purchase agreements	-	-	-	-
Total noncurrent liabilities	<u>5,379,436</u>	<u>412,934</u>	<u>518,508</u>	<u>454,328</u>
Total liabilities	<u>6,553,898</u>	<u>4,125,306</u>	<u>1,695,145</u>	<u>581,902</u>
NET POSITION				
Net investment in capital assets	35,493,100	3,690,594	10,846,990	946,000
Unrestricted	7,488,467	(2,844,615)	2,504,384	1,654,419
Total net position	<u>\$ 42,981,567</u>	<u>\$ 845,979</u>	<u>\$ 13,351,374</u>	<u>\$ 2,600,419</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2014	2013	2014	2013
\$ 17,609,923	\$ 13,679,833	\$ 2,421,740	\$ 2,632,869
75,653	69,121	2,504,930	1,630,108
531,733	411,511	18,725	151,974
134,321	2,688	-	-
2,581,148	2,793,932	-	-
24,402	46,380	-	-
-	524	-	-
801,726	856,612	38,846	94,545
<u>21,758,906</u>	<u>17,860,601</u>	<u>4,984,241</u>	<u>4,509,496</u>
7,088,369	6,969,038	-	-
<u>43,888,315</u>	<u>46,643,907</u>	<u>4,114,239</u>	<u>4,451,556</u>
<u>50,976,684</u>	<u>53,612,945</u>	<u>4,114,239</u>	<u>4,451,556</u>
<u>50,976,684</u>	<u>53,612,945</u>	<u>4,114,239</u>	<u>4,451,556</u>
<u>72,735,590</u>	<u>71,473,546</u>	<u>9,098,480</u>	<u>8,961,052</u>
664,931	660,550	252,740	244,725
301,824	292,492	12,215	11,529
75,653	69,121	-	-
4,524,801	3,732,986	-	-
582,384	559,846	31,504	27,388
41,452	46,380	-	-
-	-	829,004	990,168
<u>6,191,045</u>	<u>5,361,375</u>	<u>1,125,463</u>	<u>1,273,810</u>
24,226	31,170	3,301	7,559
6,740,980	5,464,712	261,227	209,140
-	-	3,061,771	3,077,498
<u>6,765,206</u>	<u>5,495,882</u>	<u>3,326,299</u>	<u>3,294,197</u>
<u>12,956,251</u>	<u>10,857,257</u>	<u>4,451,762</u>	<u>4,568,007</u>
50,976,684	53,612,945	2,728,394	2,013,998
8,802,655	7,003,344	1,918,324	2,379,047
<u>\$ 59,779,339</u>	<u>\$ 60,616,289</u>	<u>\$ 4,646,718</u>	<u>\$ 4,393,045</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 986,558	\$ 2,395,883	\$ 882,363	\$ 2,152,429
OPERATING EXPENSES				
Personnel	10,944,693	871,080	1,125,161	1,091,935
Drainage maintenance	-	-	-	265,418
Depreciation and amortization	4,127,880	437,879	629,044	55,814
Fuel and tires	1,952,117	-	-	-
Indirect costs	968,071	78,594	-	97,406
Maintenance and repairs	-	76,948	915,687	-
Building maintenance	515,789	-	-	-
Vehicle maintenance	1,388,008	-	-	-
Utilities	-	-	170,846	-
Insurance	342,128	-	-	-
Advertising and marketing	89,482	-	-	-
Professional services	-	-	-	81,998
Contracted services	329,939	56,124	-	84,805
Tarheel Express	234,846	-	-	-
Uniforms and supplies	96,217	-	-	-
Credit card fees	-	95,669	-	-
Rent	-	238,443	-	54,936
Other	297,251	246,489	175,657	67,058
Total operating expenses	<u>21,286,421</u>	<u>2,101,226</u>	<u>3,016,395</u>	<u>1,799,370</u>
OPERATING INCOME (LOSS)	<u>(20,299,863)</u>	<u>294,657</u>	<u>(2,134,032)</u>	<u>353,059</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,085,982	-	1,231,670	-
State Operating Assistance Grant	2,773,270	-	-	-
Local Operating Assistance Grant	12,000	-	-	-
Operating assistance-UNC Chapel Hill	7,364,487	-	-	-
Operating assistance-Town of Carrboro	1,396,423	-	-	-
Operating assistance - TTA Vehicle Fees	353,400	-	-	-
Vehicle licenses	579,266	-	-	-
Ad valorem taxes	3,794,976	-	-	-
Interest on investments	9,846	1,978	1,911	1,909
Insurance recovery	24,259	6,200	217,112	-
Interest expense	-	-	-	-
Gain (loss) on sale of capital assets	1,700	-	5,570	-
Revenue in lieu	33,500	-	-	-
Total nonoperating revenues (expenses), net	<u>18,429,109</u>	<u>8,178</u>	<u>1,456,263</u>	<u>1,909</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(1,870,754)</u>	<u>302,835</u>	<u>(677,769)</u>	<u>354,968</u>
CAPITAL CONTRIBUTIONS	176,358	-	2,077,462	-
TRANSFERS				
Transfers in	-	-	-	10,774
Transfers out	(177,069)	(1,033,755)	-	-
Total transfers	<u>(177,069)</u>	<u>(1,033,755)</u>	<u>-</u>	<u>10,774</u>
CHANGE IN NET POSITION	<u>(1,871,465)</u>	<u>(730,920)</u>	<u>1,399,693</u>	<u>365,742</u>
NET POSITION, BEGINNING	<u>44,853,032</u>	<u>1,576,899</u>	<u>11,951,681</u>	<u>2,234,677</u>
NET POSITION, ENDING	<u>\$ 42,981,567</u>	<u>\$ 845,979</u>	<u>\$ 13,351,374</u>	<u>\$ 2,600,419</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2014	2013	2014	2013
\$ 6,417,233	\$ 5,796,281	\$ 2,905,668	\$ 2,928,600
14,032,869	14,517,966	585,306	592,577
265,418	283,912	-	-
5,250,617	5,379,514	1,281,145	1,275,047
1,952,117	2,035,619	-	-
1,144,071	1,138,473	-	-
992,635	496,997	-	-
515,789	394,921	-	-
1,388,008	1,365,343	-	-
170,846	160,834	-	-
342,128	357,006	-	-
89,482	89,275	-	-
81,998	81,249	-	-
470,868	-	-	-
234,846	226,342	-	-
96,217	83,694	-	-
95,669	84,612	-	-
293,379	241,725	-	-
786,455	968,679	895,289	705,134
28,203,412	27,906,161	2,761,740	2,572,758
(21,786,179)	(22,109,880)	143,928	355,842
3,317,652	5,384,629	-	-
2,773,270	2,768,076	-	-
12,000	12,000	-	-
7,364,487	7,084,096	-	-
1,396,423	1,286,714	-	-
353,400	-	-	-
579,266	417,115	-	-
3,794,976	2,987,412	-	-
15,644	10,765	5,615	4,090
247,571	42,616	42,817	23,072
-	-	(95,946)	(109,282)
7,270	(976,210)	157,259	78,130
33,500	3,400	-	-
19,895,459	19,020,613	109,745	(3,990)
(1,890,720)	(3,089,267)	253,673	351,852
2,253,820	8,952,435	-	-
10,774	725,231	-	-
(1,210,824)	(1,453,923)	-	-
(1,200,050)	(728,692)	-	-
(836,950)	5,134,476	253,673	351,852
60,616,289	55,481,813	4,393,045	4,041,193
\$ 59,779,339	\$ 60,616,289	\$ 4,646,718	\$ 4,393,045

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 1,052,236	\$ 2,381,258	\$ 915,970	\$ 2,057,208
Payments to employees	(9,927,025)	(795,243)	(1,001,414)	(1,012,921)
Payments to suppliers	(6,166,959)	(772,190)	(1,271,330)	(649,656)
Net cash provided by (used in) operating activities	<u>(15,041,748)</u>	<u>813,825</u>	<u>(1,356,774)</u>	<u>394,631</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	4,871,252	-	1,231,670	-
Transit partner assistance received	9,114,310	-	-	-
Taxes and licenses received	4,374,242	-	-	-
Transfers to other funds	(177,069)	(1,033,755)	-	-
Transfers from other funds	-	-	-	10,774
Loan from special revenue fund	-	-	791,815	-
Loan from debt service fund	-	-	-	-
Revenue in lieu received	33,500	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>18,216,235</u>	<u>(1,033,755)</u>	<u>2,023,485</u>	<u>10,774</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Proceeds from sale of capital assets	1,700	-	5,570	-
Capital contributions	176,358	-	2,077,462	-
Proceeds from insurance recovery	24,259	6,200	217,112	-
Acquisition and construction of capital assets	(176,358)	(6,760)	(2,316,825)	(114,413)
Net cash provided by (used in) capital and related financing activities	<u>25,959</u>	<u>(560)</u>	<u>(16,681)</u>	<u>(114,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	<u>9,846</u>	<u>1,978</u>	<u>1,911</u>	<u>1,909</u>
Net cash provided by investing activities	<u>9,846</u>	<u>1,978</u>	<u>1,911</u>	<u>1,909</u>

Continued

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2014	2013	2014	2013
\$ 6,406,672	\$ 3,260,905	\$ 3,038,917	\$ 2,807,857
(12,736,603)	(12,982,163)	(532,675)	(527,118)
(8,860,135)	(7,713,030)	(831,575)	(542,597)
<u>(15,190,066)</u>	<u>(17,434,288)</u>	<u>1,674,667</u>	<u>1,738,142</u>
6,102,922	8,164,705	-	-
9,114,310	8,370,810	-	-
4,374,242	3,404,527	-	-
(1,210,824)	(1,453,923)	-	-
10,774	725,231	-	-
791,815	7,668	-	-
-	3,585,481	-	-
33,500	3,400	-	-
<u>19,216,739</u>	<u>22,807,899</u>	<u>-</u>	<u>-</u>
-	-	872,000	876,200
-	(4,461,144)	(1,048,891)	(1,248,975)
-	-	(95,946)	(109,282)
7,270	29,241	161,312	99,352
2,253,820	8,952,435	-	-
247,571	42,616	42,817	23,072
(2,614,356)	(9,168,255)	(947,881)	(1,663,745)
<u>(105,695)</u>	<u>(4,605,107)</u>	<u>(1,016,589)</u>	<u>(2,023,378)</u>
<u>15,644</u>	<u>10,765</u>	<u>5,615</u>	<u>4,090</u>
<u>15,644</u>	<u>10,765</u>	<u>5,615</u>	<u>4,090</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	3,210,292	(218,512)	651,941	292,901
CASH AND INVESTMENTS, BEGINNING	7,275,441	1,461,957	3,422,954	1,588,602
CASH AND INVESTMENTS, ENDING	<u>\$ 10,485,733</u>	<u>\$ 1,243,445</u>	<u>\$ 4,074,895</u>	<u>\$ 1,881,503</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (20,299,863)	\$ 294,657	\$ (2,134,032)	\$ 353,059
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,127,880	437,879	629,044	55,814
Changes in assets and liabilities:				
Receivables	65,678	(14,625)	27,075	(95,221)
Prepaid items	524	-	-	-
Inventories	(1,204)	-	56,090	-
Accounts payable	47,569	20,077	(65,230)	1,965
Accrued liabilities	2,603	121	2,106	(426)
Customer deposits	-	-	6,532	-
Accrued compensated absences	7,718	1,151	6,920	(195)
Accrued OPEB liability	1,007,347	74,565	114,721	79,635
Net cash provided by (used in) operating activities	<u>\$ (15,041,748)</u>	<u>\$ 813,825</u>	<u>\$ (1,356,774)</u>	<u>\$ 394,631</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	
2014	2013	2014	2013
3,936,622	779,269	663,693	(281,146)
13,748,954	12,969,685	4,262,977	4,544,123
<u>\$ 17,685,576</u>	<u>\$ 13,748,954</u>	<u>\$ 4,926,670</u>	<u>\$ 4,262,977</u>
\$ (21,786,179)	\$ (22,109,880)	\$ 143,928	\$ 355,842
5,250,617	5,379,514	1,281,145	1,275,047
(17,093)	(2,538,516)	133,249	(120,743)
524	77,521	-	-
54,886	(34,997)	55,699	16,816
4,381	253,127	8,015	145,721
4,404	(87,544)	686	(1,130)
6,532	3,140	-	-
15,594	(12,690)	(142)	2,915
1,276,268	1,636,037	52,087	63,674
<u>\$ (15,190,066)</u>	<u>\$ (17,434,288)</u>	<u>\$ 1,674,667</u>	<u>\$ 1,738,142</u>

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A. Summary of Significant Accounting Policies

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

I. 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 using the discrete presentation method of reporting. Complete financial statements for OWASA can be obtained from OWASA's administrative offices at 400 Jones Ferry Road, Carrboro, North Carolina, 27510.

2. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to

meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

The Town reports four proprietary funds:

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

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

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

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

Additionally, the Town reports internal service funds as follows:

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

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

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

4. Budgetary Control

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

Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in multi-year funds. The Town Council must approve amendments at the functional level of the General Fund and at the project level in all other funds. The budgets in the supplemental section represent the budget as amended through June 30, 2014.

The Council's schedule for developing the 2013-14 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in March and a public hearing was held in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 10, 2013.

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

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

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

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

5. Deposits and Investments

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

State law [§159-30(c)] authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States;

obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

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

6. Cash and Cash Equivalents

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

7. Restricted Assets

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

Government Activities:

General Fund	
Surety deposits	\$ 286,358
Capital Projects Ordinance Fund	
Unspent bond proceeds	6,586,475
Capital Reserve Fund	
Capital project restrictions	214,756
Transit Capital Grants Fund	
Grant restrictions	60,529
Public Housing Capital Grants Fund	
Grant restrictions	480,311
Transitional Housing Fund	
Tenant deposits	13,660
Library Gift Fund	
Donation restrictions	252,564
Vehicle Replacement Fund	
Unspent loan proceeds	2,504,930
	<hr/>
Total government activities	\$ 10,399,583

Business-type Activities:

Housing Fund	
Customer deposits	\$ 74,053
Stormwater Fund	
Customer deposits	1,600
	<hr/>
Total business-type activities	\$ 75,653
	<hr/>
Total Restricted Cash	\$ 10,475,236

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, interest does not accrue until the following January 6, at which time the property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1, 2013.

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. 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 both the Town and OWASA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

13. Deferred Outflows/Inflows of Resources

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

	Unavailable Revenue	Unearned Revenue
Prepaid taxes	\$ -	\$ 16,837
Fees and charges receivable	205,218	-
Property taxes receivable	202,234	-
	<u>\$ 407,452</u>	<u>\$ 16,837</u>

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed in the reporting period in which they are incurred.

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

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, 2014, OWASA had recorded a liability for accrued vacation of \$491,731.

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

16. Net Position and Fund Balances

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

A difference of \$6,586,475 in Restricted Net Position between Exhibit 3, Governmental Funds Balance Sheet and Exhibit 1, Statement of Net Position is equal to unspent bond proceeds.

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

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

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

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

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

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by formal action of the Town's highest level of decision-making authority, the Town Council. The Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation remains in place until similar action is taken by the governing board (adoption of another ordinance) to remove or revise the limitation.

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

Committed for municipal buildings, technology and fire capital projects – portion of fund balance directed by the Town Council to a fund for capital projects.

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

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

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed fund balance.

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

Assigned for workforce development – portion of fund balance that has been budgeted for planning for the development of the workforce to provide Town services.

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

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

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

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-Town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent first from restricted fund balance, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

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

18. Use of Estimates

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

B. Deposits

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

Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's or OWASA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and OWASA, these deposits are considered to be held by their agents

in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, OWASA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or OWASA under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town and OWASA comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$48,630,711 and a bank balance of \$49,268,401. Of the bank balance, \$1,000,379 was covered by federal depository insurance, \$19,056,557 was covered by collateral held under the Dedicated Method and \$29,211,465 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$7,358 at year end.

At year-end, OWASA's deposits had a carrying amount of \$18,221,113 and a bank balance of \$18,271,875. Of the bank balance, \$2,276,610 was covered by federal depository insurance and \$15,995,265 in interest-bearing deposits was covered by collateral held under the pooling method. OWASA had cash on hand of \$2,590 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, 2014, the Town of Chapel Hill had \$9,210,566 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, 2014, OWASA had \$6,456,188 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.

Credit risk. The Town and OWASA do not have a formal policy regarding credit risk, but there are internal management procedures that limit the Town's investments to the provisions of G.S. 159-30. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2014.

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, 2014 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 414,182	\$ -
Due from Federal Government	1,099,299	2,019,309
Due from State	4,921,704	106,075
Due from local governments	1,008,466	455,764
	<u>\$ 7,443,651</u>	<u>\$ 2,581,148</u>

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

Property taxes receivable	\$ 371,785	\$ -
Accounts receivable	7,002	25,005

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2014 follows:

	July 1, 2013	Increases	Decreases	June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,001,106	\$ 470,267	\$ 142,473	\$ 27,328,900
Easements	78,290	29,117	-	107,407
Construction in progress	4,847,115	6,980,003	4,213,152	7,613,966
Total capital assets, not being depreciated	<u>31,926,511</u>	<u>7,479,387</u>	<u>4,355,625</u>	<u>35,050,273</u>
Capital assets, being depreciated:				
Land improvements	20,065,010	1,207,392	-	21,272,402
Infrastructure	36,439,128	-	498,802	35,940,326
Buildings and building improvements	80,075,864	230,533	-	80,306,397
Equipment	5,570,252	775,084	-	6,345,336
Vehicles	14,977,419	947,881	713,497	15,211,803
Total capital assets, being depreciated	<u>157,127,673</u>	<u>3,160,890</u>	<u>1,212,299</u>	<u>159,076,264</u>
Accumulated depreciation:				
Land improvements	5,352,977	973,347	-	6,326,324
Infrastructure	22,000,881	1,437,613	-	23,438,494
Buildings and building improvements	24,480,878	3,501,024	-	27,981,902
Equipment	4,479,775	323,220	-	4,802,995
Vehicles	10,357,820	1,320,157	709,444	10,968,533
Total accumulated depreciation	<u>66,672,331</u>	<u>7,555,361</u>	<u>709,444</u>	<u>73,518,248</u>
Total capital assets, being depreciated, net	<u>90,455,342</u>	<u>(4,394,471)</u>	<u>502,855</u>	<u>85,558,016</u>
Governmental activities capital assets, net	<u>\$ 122,381,853</u>	<u>\$ 3,084,916</u>	<u>\$ 4,858,480</u>	<u>\$ 120,608,289</u>

	July 1, 2013	Increases	Decreases	June 30, 2014
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	2,067,778	-	49,256	2,018,522
Vehicles	40,555,324	176,358	-	40,731,682
Total capital assets, being depreciated	66,220,994	176,358	49,256	66,348,096
Accumulated depreciation:				
Land improvements	3,530,291	187,134	-	3,717,425
Buildings and building improvements	5,001,629	816,739	-	5,818,368
Equipment	1,527,803	206,479	49,256	1,685,026
Vehicles	18,816,186	2,917,528	-	21,733,714
Total accumulated depreciation	28,875,909	4,127,880	49,256	32,954,533
Total capital assets, being depreciated, net	37,345,085	(3,951,522)	-	33,393,563
Transit fund capital assets, net	\$ 39,444,622	\$ (3,951,522)	\$ -	\$ 35,493,100
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
Total capital assets, not being depreciated	3,161,115	-	-	3,161,115
Capital assets, being depreciated:				
Land improvements	486,871	6,760	-	493,631
Buildings and building improvements	7,284,441	-	-	7,284,441
Equipment	677,025	-	-	677,025
Total capital assets, being depreciated	8,448,337	6,760	-	8,455,097
Accumulated depreciation:				
Land improvements	370,537	11,908	-	382,445
Buildings and building improvements	6,736,171	364,139	-	7,100,310
Equipment	381,031	61,832	-	442,863
Total accumulated depreciation	7,487,739	437,879	-	7,925,618
Total capital assets, being depreciated, net	960,598	(431,119)	-	529,479
Parking facilities fund capital assets, net	\$ 4,121,713	\$ (431,119)	\$ -	\$ 3,690,594

	July 1, 2013	Increases	Decreases	June 30, 2014
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
CIP	6,727	76,528	-	83,255
Total capital assets, not being depreciated	<u>1,708,386</u>	<u>76,528</u>	<u>-</u>	<u>1,784,914</u>
Capital assets, being depreciated:				
Land improvements	323,376	-	-	323,376
Buildings and building improvements	20,561,775	2,240,297	-	22,802,072
Equipment	355,028	-	-	355,028
Vehicles	236,516	-	19,201	217,315
Total capital assets, being depreciated	<u>21,476,695</u>	<u>2,240,297</u>	<u>19,201</u>	<u>23,697,791</u>
Accumulated depreciation:				
Land improvements	222,961	16,169	-	239,130
Buildings and building improvements	13,237,003	608,053	-	13,845,056
Equipment	355,028	-	-	355,028
Vehicles	210,880	4,822	19,201	196,501
Total accumulated depreciation	<u>14,025,872</u>	<u>629,044</u>	<u>19,201</u>	<u>14,635,715</u>
Total capital assets, being depreciated, net	<u>7,450,823</u>	<u>1,611,253</u>	<u>-</u>	<u>9,062,076</u>
Housing operating fund capital assets, net	<u>\$ 9,159,209</u>	<u>\$ 1,687,781</u>	<u>\$ -</u>	<u>\$ 10,846,990</u>
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 42,803	\$ -	\$ 42,803
Total capital assets, not being depreciated	<u>-</u>	<u>42,803</u>	<u>-</u>	<u>42,803</u>
Capital assets, being depreciated:				
Land improvements	987,878	71,610	-	1,059,488
Equipment	19,325	-	-	19,325
Total capital assets, being depreciated	<u>1,007,203</u>	<u>71,610</u>	<u>-</u>	<u>1,078,813</u>
Accumulated depreciation:				
Land improvements	111,300	53,053	-	164,353
Equipment	8,502	2,761	-	11,263
Total accumulated depreciation	<u>119,802</u>	<u>55,814</u>	<u>-</u>	<u>175,616</u>
Total capital assets, being depreciated, net	<u>887,401</u>	<u>15,796</u>	<u>-</u>	<u>903,197</u>
Stormwater management fund capital assets, net	<u>\$ 887,401</u>	<u>\$ 58,599</u>	<u>\$ -</u>	<u>\$ 946,000</u>
Business-type activities capital assets, net	<u>\$ 53,612,945</u>	<u>\$ (2,636,261)</u>	<u>\$ -</u>	<u>\$ 50,976,684</u>

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

Governmental activities:	
General government	\$ 113,827
Environment and development	3,744,338
Public safety	195,314
Leisure activities	2,220,737
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,281,145
Total depreciation expense - governmental activities	<u>\$ 7,555,361</u>
Business-type activities:	
Transit	\$ 4,127,880
Parking facilities	437,879
Housing Operating	629,044
Stormwater Management	55,814
Total depreciation expense - business-type activities	<u>\$ 5,250,617</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2014, follows:

	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 17,587,841	\$ 17,513	\$ -		\$ 17,605,354
Construction in progress	13,072,882	16,603,715	-	(4,524,904)	25,151,693
Total capital assets, not being depreciated	<u>30,660,723</u>	<u>16,621,228</u>	<u>-</u>	<u>(4,524,904)</u>	<u>42,757,047</u>
Capital assets, being depreciated:					
Water treatment and distribution	154,190,679	339,661	-	1,419,596	155,949,936
Sewer collection and treatment	194,369,851	179,225	-	3,105,308	197,654,384
Fixtures and equipment	41,501,846	437,884	(76,930)	-	41,862,800
Total capital assets, being depreciated	<u>390,062,376</u>	<u>956,770</u>	<u>(76,930)</u>	<u>4,524,904</u>	<u>395,467,120</u>
Less accumulated depreciation for:					
Water treatment and distribution	50,198,324	3,530,653	-	-	53,728,977
Sewer collection and treatment	50,986,962	4,257,652	-	-	55,244,614
Fixtures and equipment	27,997,239	1,605,434	(28,013)	-	29,574,660
Total accumulated depreciation	<u>129,182,525</u>	<u>9,393,739</u>	<u>(28,013)</u>	<u>-</u>	<u>138,548,251</u>
Total capital assets, being depreciated, net	<u>260,879,851</u>	<u>(8,436,969)</u>	<u>(48,917)</u>	<u>4,524,904</u>	<u>256,918,869</u>
Total capital assets, net	<u>\$ 291,540,574</u>	<u>\$ 8,184,259</u>	<u>\$ (48,917)</u>	<u>\$ -</u>	<u>\$ 299,675,916</u>

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

Capital Assets	\$ 180,223,202
Depreciation	(63,729,152)
	<u>116,494,050</u>
Internal service fund capital assets, net of depreciation	4,114,239
Total Capital Assets, net	<u>\$ 120,608,289</u>
Debt:	
Short-term portion of debt	\$ 7,061,601
Long-term portion of debt	66,693,363
Total Debt	<u>73,754,964</u>
Less Separation allowance (unrelated to capital)	(241,947)
Less Compensated absences (unrelated to capital)	(2,468,224)
Less Other Postemployment Benefits (unrelated to capital)	(14,424,872)
Unspent proceeds, governmental funds	(6,586,475)
Unspent proceeds, internal service funds	(2,504,930)
Capital Related Debt	<u>47,528,516</u>
Net investment in capital assets	<u>\$ 73,079,773</u>

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

Total Capital Assets, net	<u>\$ 50,976,684</u>
Debt:	
Short-term portion of debt	582,384
Long-term portion of debt	6,765,206
Total Debt	<u>7,347,590</u>
Less Compensated Absences (unrelated to capital)	(606,610)
Less Other Postemployment Benefits (unrelated to capital)	(6,740,980)
Capital Related Debt	<u>-</u>
Net investment in capital assets	<u>\$ 50,976,684</u>

F. Long-Term Debt

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2014 is as follows:

Governmental Activities:	Outstanding
<i>General obligation bonds</i>	
\$4,950,000 Construction and renovation to Town facilities, including Sidewalks and pedestrian amenities (\$650,000), Library facility (\$1,500,000), Open space and greenways (\$800,000), Parks and recreation facilities (\$1,000,000) and Downtown streetscape improvements (\$1,000,000) - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	\$ 500,000
\$4,490,000 Refunding 1998 and 2000 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, and for acquisition of open space and greenways - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2% to 4%	1,605,000
\$8,160,000 Construction and renovation to Town facilities, including Library renovation (\$5,701,200), Streets and sidewalks (\$979,500) and Parks and recreation facilities (\$1,479,300) - 2010A serial bonds payable in annual installments of \$1,020,000 through 2019; interest at 2% to 4%	5,100,000
\$12,250,000 Construction and renovation to Town facilities, including Library renovation (\$8,558,800), Streets and sidewalks (\$1,470,500) and Parks and recreation facilities (\$2,220,700) - 2010B Build America Bonds (BABs) serial bonds payable in annual installments of \$1,020,000 to \$1,025,000 through 2031; interest at 3.5% to 4.9%	12,250,000
\$4,655,000 Refunding 1996, 2003 and 2004 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, open space and greenways and public buildings and facilities - 2012 refunding serial bonds payable in annual installments of \$115,000 to \$605,000 through 2025; interest at 2% to 4%	4,140,000
\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	1,530,000
\$3,050,000 - Refunding 2006 bond issue for sidewalk construction and improvement, pedestrian amenities and streetscaping, library facilities, open space acquisition and trail improvements - 2013 refunding serial bonds payable in annual installments of \$34,000 to \$296,000 through 2027; interest at 1.77%	3,016,000
<i>Total general obligation bonds</i>	\$ 28,141,000

Limited Obligation Bonds

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

\$ 24,465,000

Installment Notes Payables

Purchase of fleet replacement vehicles:

\$1,604,000 - 729,558

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

\$1,600,000 - 946,989

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

\$887,000 - 644,327

BB&T installment purchase contract entered into February 2012 payable in annual installments of \$135,039 through 2019; interest at 1.72%

\$431,200 - 372,345

SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%

\$445,000 - 384,261

Wells Fargo Bank installment purchase contract entered into June 2013 payable in annual installments of \$67,254 through 2020; interest at 1.52%

\$872,000 - 813,295

SunTrust Bank installment purchase contract entered into December 2013 payable in annual installments of \$133,192 through 2020; interest at 1.81%

Total installment notes payables

\$ 3,890,775

In addition to the general obligation bonds, limited obligation bonds and installment notes payable, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences, the law enforcement officers' special separation allowance and other postemployment benefits.

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,479,000	\$ 1,080,228	\$ 3,559,228
2016	2,190,000	1,003,562	3,193,562
2017	2,191,000	820,728	3,011,728
2018	2,171,000	763,114	2,934,114
2019	2,152,000	689,413	2,841,413
2020-2024	8,247,000	2,601,174	10,848,174
2025-2029	6,406,000	1,279,711	7,685,711
2030-2032	2,305,000	162,482	2,467,482
	<u>\$ 28,141,000</u>	<u>\$ 8,400,412</u>	<u>\$ 36,541,412</u>

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,115,000	\$ 1,184,831	\$ 3,299,831
2016	2,140,000	1,079,081	3,219,081
2017	2,165,000	972,081	3,137,081
2018	1,890,000	863,831	2,753,831
2019	1,920,000	772,331	2,692,331
2020-2024	9,800,000	2,411,655	12,211,655
2025-2029	3,150,000	542,112	3,692,112
2030-2032	1,285,000	104,203	1,389,203
	<u>\$ 24,465,000</u>	<u>\$ 7,930,125</u>	<u>\$ 32,395,125</u>

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 829,004	\$ 77,830	\$ 906,834
2016	848,006	58,827	906,833
2017	867,474	39,359	906,833
2018	629,009	21,386	650,395
2019	390,167	10,463	400,630
2020-2021	327,115	5,071	332,186
	<u>\$ 3,890,775</u>	<u>\$ 212,936</u>	<u>\$ 4,103,711</u>

Long-term debt activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions	Reductions	June 30, 2014	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 30,820,000	\$ -	\$ 2,679,000	\$ 28,141,000	\$ 2,479,000
Limited obligation bonds	26,585,000	-	2,120,000	24,465,000	2,115,000
Installment notes payable	105,000	-	105,000	-	-
Installment notes payable - internal service funds	4,067,666	872,000	1,048,891	3,890,775	829,004
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	239,126	2,821	-	241,947	-
Compensated absences - governmental activities	2,339,224	1,951,288	1,857,093	2,433,419	1,857,093
Compensated absences - internal service funds	34,947	31,362	31,504	34,805	31,504
Other postemployment benefits	11,482,397	2,681,248	-	14,163,645	-
Other postemployment benefits - internal service funds	209,140	52,087	-	261,227	-
Long-term debt	<u>\$ 76,005,646</u>	<u>\$ 5,590,806</u>	<u>\$ 7,841,488</u>	<u>\$ 73,754,964</u>	<u>\$ 7,311,601</u>
Business-type activities:					
Compensated absences	\$ 591,016	\$ 597,978	\$ 582,384	\$ 606,610	\$ 582,384
Other postemployment benefits	5,464,712	1,276,268	-	6,740,980	-
Long-term debt	<u>\$ 6,055,728</u>	<u>\$ 1,874,246</u>	<u>\$ 582,384</u>	<u>7,347,590</u>	<u>582,384</u>

On June 27, 2012, the Town issued \$22 million in advanced refunding limited obligation bonds and defeased 2005 and 2003 certificates of participation and a 2007 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price of the 2000 certificates of participation exceeded the net carrying amount of the old debt by \$340,000. This amount was being amortized over the life of the new certificates of participation but has been removed from the proprietary activities column of the statement of net position with the refunding. The refinancing was undertaken to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$800,000. On June 30, 2014, \$14,960,000 of certificates of participation is considered defeased.

On February 28, 2013, the Town issued \$3,050,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to provide for all future debt on the old bonds. As a result, the refunded bonds are defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$350,000. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$178,820 and resulted in an economic gain of \$158,591. On June 30, 2014, \$2,700,000 is considered defeased.

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, 2014, the legal debt margin for the Town was approximately \$591 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, 2014 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2010 Revenue Serial Bonds, in the amount of \$21,645,000, issued September 30, 2010, with coupon rates of 3.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$1,242,729 at June 30, 2014	\$ 21,437,728
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 \$443,154 at June 30, 2014; revenue bonds payable, Series 2006 Revenue Term Bonds, in the amount of \$6,785,000, issued October 26, 2006, with an interest rate of 5.0%, due in full July 2031	19,058,154
Revenue and revenue refunding bonds payable, Series 2005, issued June 9, 2005, with coupon rates of 3.5% to 5.0%, final maturity July 2020, net of unamortized premium and deferred refunding loss of \$103,195 at June 30, 2014	15,256,805
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 \$0 at June 30, 2014; 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	21,395,000
Revenue and revenue refunding bonds payable, Series 2003 issued April 9, 2003, with coupon rates of 2.5% to 5.0%, final maturity July 2016, net of unamortized premium and deferred refunding loss of \$104,486 at June 30, 2014	3,005,514
Total long-term debt	\$ 80,153,201

OWASA debt maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding		Total	Interest
		Losses			
2015	5,030,000	66,589		5,096,589	3,555,325
2016	5,255,000	66,589		5,321,589	3,333,875
2017	5,805,000	118,832		5,923,832	3,087,875
2018	4,745,000	118,832		4,863,832	2,805,175
2019	4,965,000	118,832		5,083,832	2,585,613
2020-2024	22,990,000	662,958		23,652,958	9,764,207
2025-2029	22,990,000	265,914		23,255,914	4,470,882
2030-2032	6,895,000	59,655		6,954,655	538,450
Total	\$ 78,675,000	\$ 1,478,201		\$ 80,153,201	\$ 30,141,402

In 2010, OWASA defeased Series 2001 and Series 2004A Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On June 30, 2014, \$10,430,000 of bonds outstanding is considered defeased.

OWASA's long-term debt activity for the year ended June 30, 2014 is as follows:

	July 1,		June 30,		Due Within One Year
	2013	Additions	Reductions	2014	
Revenue bonds	\$ 83,845,000	\$ -	\$ 5,170,000	\$ 78,675,000	\$ 5,030,000
For issuance premiums	4,160,909	-	427,746	3,733,163	386,696
Compensated absences	481,203	454,550	444,022	491,731	450,000
OPEB	4,443,670	1,169,656	157,124	5,456,202	-
Total bonds payable	\$ 92,930,782	\$ 1,624,206	\$ 6,198,892	\$ 88,356,096	\$ 5,866,696

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$80,153,201 in revenue bonds issued in 2001, 2003, 2004, 2005, 2006 and 2010. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Principal and interest on the bonds are payable through 2032, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$110,294,603. Principal and interest paid in the year ended June 30, 2014 was \$7,814,155.

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

The debt service coverage ratio calculation for the year ended June 30, 2014, is as follows:

Operating revenues	\$ 36,927,338
Operating expenses *	<u>18,597,663</u>
Income available for debt service	<u>\$ 18,329,675</u>
Debt service, principal and interest paid	<u>\$ 8,492,935</u>
Debt service coverage ratio for parity debt	<u>2.16</u>

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

At June 30, 2014, OWASA was in compliance with the bond covenants described above.

G. Fund Balance

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

Total fund balance - General Fund	\$ 26,139,491
Less:	
Inventories	2,670
Prepaid expenses	350
Stabilization by State Statute	9,994,453
Cal Horton award	94,489
Parks projects	139,757
Streets projects	213,788
Public safety	372,598
OPEB allocation	1,200,000
Workforce development	89,750
Economic development	233,736
Appropriated in FY15 budget	2,654,093
Working capital fund balance reserve	6,452,879
Remaining fund balance	4,690,928

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

Encumbrances	
Major funds:	
General Fund	\$ 2,400,220
Capital Projects Ordinance Fund	1,105,779
Non-major funds	2,446,690

H. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2014, the statements of the Town include a net of balances due to/from other funds in the amount of \$4,390,480 as detailed below. The payables in the Housing Fund and Transit Capital Grant Fund represent the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end. The Parking Facility Fund payable to the Debt Fund represents the COPs debt refunded by issuance of limited obligation bonds that are now carried in the Debt Fund.

Receivable Fund	Payable Fund	Amount
General fund	Housing fund	\$ 939,320
Nonmajor governmental	Transit fund	(134,321)
Debt service fund	Parking facility fund	3,585,481
		<u>\$ 4,390,480</u>

Receivables among governmental funds include amounts due to the General Fund from the Grants Fund (\$137,309), Housing Capital Grants (\$459,425) and Community Development (\$220,652.)

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2014 is as follows:

Interfund transfers to/(from) governmental funds

From Parking Fund to General Fund	125,424
From General Fund to Stormwater	(6,275)
From Capital Projects Ordinance Fund to Stormwater	(4,499)
From Parking Fund to Debt Service Fund	908,331
From Transit to Nonmajor	<u>177,069</u>
Total transfers to governmental funds from proprietary funds	1,200,050

Transfers between governmental funds:

From Nonmajor to General Fund	45,000
From General Fund to Nonmajor	2,488,329

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 \$125,424 in fiscal 2014. The transfer of \$6,275 from the General fund to the Stormwater Management is a reimbursement of a fee exemption. The transfer of \$4,499 from the Capital Projects Ordinance Fund to the Stormwater fund represents the return of an excess grant match. The transfer from the Parking fund to the Debt Service fund represents debt repayment for the 140 West and Rosemary Garage. Finally, Transit made a transfer of matching funds to the Grants Fund for a transit-related operating grant.

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, 7.07% and 7.28% of annual covered payroll. For OWASA, the current rate for employees is 6.74% of annual covered payroll. The contribution requirements of the Town of Chapel Hill and OWASA are established and may be amended by the North Carolina General Assembly.

The Town's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$2,336,062, \$2,149,161 and \$2,308,242 respectively. OWASA's contributions to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$516,608, \$489,014 and \$487,997 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, 2013, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	17
Active Plan members	<u>120</u>
TOTAL	<u>137</u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies:

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

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

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

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of between 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at December 31, 2013 was 17 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	\$ 328,312
b Interest on net pension obligation	11,956
c Adjustment to annual required contribution	<u>(19,482)</u>
d Annual pension cost (a) + (b) + (c)	\$ 320,786
e Employer contributions made for fiscal year ended 6/30/2014	<u>317,965</u>
f Increase (decrease) in net pension obligation (d) - (e)	\$ 2,821
g Net pension obligation, beginning of fiscal year	<u>239,126</u>
h Net pension obligation, end of fiscal year (f) + (g)	\$ 241,947

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2012	313,754	107.26%	246,648
6/30/2013	321,645	102.34%	239,126
6/30/2014	320,786	99.12%	241,947

Funded Status and Funding Progress: As of December 31, 2013, 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 \$3,130,859. The covered payroll (annual payroll of active employees covered by the plan) was \$6,037,671, and the ratio of the UAAL to the covered payroll was 51.86 percent.

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

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$454,041, which consisted of \$312,776 from the Town and \$141,265 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, 2014 were \$1,984,414, which consisted of \$1,352,930 from the Town and \$631,484 from employees.

5. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description: The State of North Carolina contributes, on behalf of the Town of Chapel Hill, to the Firefighter's and Rescue Squad Worker's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers who have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's and Rescue Squad Workers' Pension Fund 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 the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, NC 27699-1410, or by calling (919) 981-5454.

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. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. A separate report was not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	196
Active Members	<u>595</u>
	<u><u>791</u></u>

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

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

Qualified retirees may also purchase dependent care coverage at the Town's group rate. For the fiscal year ended June 30, 2014, the Town made payments for post-retirement health benefit premiums of 1,512,490 and the retirees made payments of \$228,176 for dependent care and for the employee's share of coverage according to the schedule above. The Town's obligation to contribute to the health benefit plan is established and may be amended by the Town Council.

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

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

Annual OPEB cost and net OPEB obligation. The Town's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if

paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 5,825,840
Interest on net OPEB obligation	686,250
Adjustment to annual required contribution	<u>(989,997)</u>
Annual OPEB cost (expense)	5,522,093
Contributions (adjusted for implicit subsidy)	<u>(1,512,490)</u>
Increase in net OPEB obligation	4,009,603
Net OPEB obligation, beginning of year	<u>17,156,249</u>
Net OPEB obligation, end of year	<u><u>\$ 21,165,852</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 6,722,714	22.5%	\$ 11,825,688
2013	6,641,450	19.7%	17,156,249
2014	5,522,093	27.4%	21,165,852

Funding status and funding progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$56,370,479. The covered payroll (annual payroll of active employees covered by the plan) was \$28,236,336, and the ratio of the UAAL to the covered payroll was 199.6%. The current annual required contribution rate (ARC) is 24.18% of annual covered payroll.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.00% and (b) 8.50% - 5.00% medical cost trend rate for pre-medicare and 6.25% - 5.00% medical cost trend rate for post-medicare with 2018 as the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2012 was 28 years.

L. Other Employment Benefits

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

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

M. Commitments and Contingencies

The Town has commitments related to capital improvements, capital purchases and a town-wide workforce development project at June 30, 2014 for the following:

Town Hall Flood Project	948,306
Streets, Paving, Drainage and Sidewalks	777,690
Parks & Recreation Projects	641,889
Vehicle/Bus/Truck Purchases	562,491
Municipal Fiber Project	550,252
Miscellaneous Projects	536,699
Transit Projects	465,304
Bolin Creek Trail	187,648
Traffic Projects	138,154
Public Housing Projects	94,585
Technology Projects	79,315
Downtown Initiative	27,927
Workforce Development Projects	11,370
	5,021,630
	5,021,630

OWASA is committed under various contracts for the completion of water and wastewater treatment facilities and other water and sewer projects. OWASA's management estimates the cost to complete these contracts to be approximately \$4,464,105 at June 30, 2014.

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. Through this Fund and Pool, 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 liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the

Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annual by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of liability. The Town's potential loss for liability coverage is limited to the deductible amount of \$2,500 per claim for all coverage except public officials' liability, which is limited to the deductible amount of \$10,000 per claim. The Town's potential loss for workers' compensation loss is limited to the deductible amount of \$5,000 per occurrence. There are no significant reductions in insurance coverage in the past year for any major risk category.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The Town carries coverage totaling \$2,070,000 for the ten structures.

In accordance with G.S. §159-29, the Town's employees who have access to \$100 or more at any given time or access to inventory are covered through a blanket bond against loss up to \$100,000 per occurrence. The Town does not appoint a tax collector as taxes are collected by Orange and Durham Counties. The Finance Officer is individually bonded for \$200,000.

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2014 for outstanding claims and incurred but not reported claims are not considered material and, therefore, no provision is recorded within the financial statements. The amount of settlements has not exceeded insurance coverage in any of the past three years.

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

O. Recent Pronouncements Issued

Prior to June 30, 2014, the Governmental Accounting Standards Board (GASB) issued the following pronouncements that have an effective date that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements may have on the financial statements of the Town.

- GASB Statement 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2014.
- GASB Statement 69, "Government Combinations and Disposals of Government Operations." This statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e. government combinations). The statement also provides guidance on how to determine the gain or loss on a disposal of government

operations. This statement applies to all state and local government entities. The requirements of this statement should be applied prospectively and are effective for government combinations and disposals of government operations for fiscal years beginning after December 15, 2013. However, earlier application of the statement is encouraged.

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY PROJECTED UNIT CREDIT (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
12/31/2008	-	2,680,650	2,680,650	-	5,922,981	45.26%
12/31/2009	-	3,375,079	3,375,079	-	6,037,006	55.91%
12/31/2010	-	3,157,252	3,157,252	-	6,181,559	51.08%
12/31/2011	-	3,185,772	3,185,772	-	5,995,868	53.13%
12/31/2012	-	3,133,435	3,133,435	-	5,986,284	52.34%
12/31/2013	-	3,130,859	3,130,859	-	6,037,671	51.86%

**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
2009	245,319	118.82
2010	265,423	110.74
2011	323,899	95.19
2012	316,355	106.38
2013	324,662	101.39
2014	328,312	96.85

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization method	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
* Includes inflation at	3.00%
Cost of living adjustments	N/A

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY PROJECTED UNIT CREDIT (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
12/31/2005	-	45,380,700	45,380,700	-	25,322,664	179.21%
12/31/2008	-	32,451,498	32,451,498	-	32,174,140	100.86%
12/31/2010	-	64,319,378	64,319,378	-	32,549,036	197.61%
12/31/2012	-	56,370,479	56,370,479	-	28,236,336	199.64%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	6,826,000	22.20%
2013	6,826,000	19.20%
2014	5,825,840	25.96%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization method	28 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	8.50% - 5.00%
Post-Medicare trend rate	6.25% - 5.00%
Year of ultimate trend rate	2018
* Includes inflation at	3.00%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2014	2013
ASSETS				
Cash and cash equivalents	\$ 3,384,129	\$ 458,447	\$ 3,842,576	\$ 3,570,263
Receivables:				
Governmental units and agencies	396,461	568,442	964,903	437,688
Other	-	10,620	10,620	10,000
Inventories	-	16,538	16,538	16,538
Prepaid items	6,110	-	6,110	-
Restricted cash and cash equivalents	755,596	266,224	1,021,820	735,838
TOTAL ASSETS	\$ 4,542,296	\$ 1,320,271	\$ 5,862,567	\$ 4,770,327
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 593,746	\$ 357,961	\$ 951,707	\$ 238,757
Accounts payable	570,657	50,029	620,686	494,101
Accrued liabilities	-	6,048	6,048	8,172
Unearned revenue	29,494	12,137	41,631	13,484
Other payables from restricted assets	-	13,660	13,660	15,814
Total liabilities	1,193,897	439,835	1,633,732	770,328
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	6,110	-	6,110	-
Restricted				
Stabilization by State Statute	2,762,223	659,990	3,422,213	2,763,207
Parks capital projects	65,883	-	65,883	65,929
Public housing	480,311	113,836	594,147	113,836
Public safety	-	8,180	8,180	8,179
Library	-	257,061	257,061	331,495
Transit capital purchases	60,529	-	60,529	-
Infrastructure capital projects	214,756	-	214,756	241,783
Development	-	-	-	26,874
Committed				
Municipal buildings capital projects	475,687	-	475,687	-
Technology capital projects	751,137	-	751,137	-
Fire capital projects	20,353	-	20,353	844,189
Public housing	-	353,843	353,843	336,614
Economic development	-	62,137	62,137	79,896
Assigned				
Subsequent year's expenditures	-	28,841	28,841	12,151
Streets capital projects	7,209	-	7,209	-
Municipal buildings capital projects	318,978	-	318,978	583,292
Parks capital projects	85,538	-	85,538	91,388
Technology capital projects	4,464	-	4,464	68,768
Unassigned	(1,904,779)	(619,990)	(2,524,769)	(1,584,140)
Total fund balances	3,348,399	880,436	4,228,835	3,999,999
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,542,296	\$ 1,320,271	\$ 5,862,567	\$ 4,770,327

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING BALANCE SHEET
JUNE 30, 2014**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 326,153	\$ 6,294	\$ 30,426
Receivables:				
Governmental units and agencies	356,668	-	-	-
Other	-	-	-	-
Inventories	-	-	-	16,538
Restricted cash and cash equivalents	-	-	13,660	-
TOTAL ASSETS	<u>\$ 356,668</u>	<u>\$ 326,153</u>	<u>\$ 19,954</u>	<u>\$ 46,964</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 220,652	\$ -	\$ -	\$ -
Accounts payable	22,000	8,750	280	-
Accrued liabilities	180	-	-	-
Unearned revenue	-	-	-	-
Other payables from restricted assets	-	-	13,660	-
Total liabilities	<u>242,832</u>	<u>8,750</u>	<u>13,940</u>	<u>-</u>
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	16,538
Restricted				
Stabilization by State Statute	381,918	35,433	-	-
Public housing	113,836	-	-	-
Public safety	-	-	-	-
Library	-	-	-	-
Development	-	-	-	-
Committed				
Public housing	-	317,403	6,014	30,426
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	<u>(381,918)</u>	<u>(35,433)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>113,836</u>	<u>317,403</u>	<u>6,014</u>	<u>46,964</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 356,668</u>	<u>\$ 326,153</u>	<u>\$ 19,954</u>	<u>\$ 46,964</u>

Schedule 2

Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
			2014	2013
\$ -	\$ 95,574	\$ -	\$ 458,447	\$ 512,785
171,774	40,000	-	568,442	324,595
-	-	10,620	10,620	10,000
-	-	-	16,538	16,538
-	-	252,564	266,224	375,940
<u>\$ 171,774</u>	<u>\$ 135,574</u>	<u>\$ 263,184</u>	<u>\$ 1,320,271</u>	<u>\$ 1,239,858</u>
\$ 137,309	\$ -	\$ -	\$ 357,961	\$ 93,379
9,192	3,684	6,123	50,029	146,919
4,956	912	-	6,048	8,172
12,137	-	-	12,137	13,484
-	-	-	13,660	15,814
<u>163,594</u>	<u>4,596</u>	<u>6,123</u>	<u>439,835</u>	<u>277,768</u>
-	-	-	16,538	16,538
191,494	40,000	11,145	659,990	493,434
-	-	-	113,836	113,836
8,180	-	-	8,180	8,179
-	-	257,061	257,061	331,495
-	-	-	-	26,874
-	-	-	353,843	336,614
-	62,137	-	62,137	79,896
-	28,841	-	28,841	12,151
<u>(191,494)</u>	<u>-</u>	<u>(11,145)</u>	<u>(619,990)</u>	<u>(456,927)</u>
<u>8,180</u>	<u>130,978</u>	<u>257,061</u>	<u>880,436</u>	<u>962,090</u>
<u>\$ 171,774</u>	<u>\$ 135,574</u>	<u>\$ 263,184</u>	<u>\$ 1,320,271</u>	<u>\$ 1,239,858</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2014	2013
ASSETS						
Cash and cash equivalents	\$ 3,384,129	\$ -	\$ -	\$ -	\$ 3,384,129	\$ 3,057,478
Due from governmental units and agencies	-	-	364,944	31,517	396,461	113,093
Restricted cash and cash equivalents	-	214,756	60,529	480,311	755,596	359,898
Prepaid items	6,110	-	-	-	6,110	-
TOTAL ASSETS	<u>\$ 3,390,239</u>	<u>\$ 214,756</u>	<u>\$ 425,473</u>	<u>\$ 511,828</u>	<u>\$ 4,542,296</u>	<u>\$ 3,530,469</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 134,321	\$ 459,425	\$ 593,746	\$ 145,378
Accounts payable	258,711	-	265,004	46,942	570,657	347,182
Unearned revenue	3,346	-	26,148	-	29,494	-
Total liabilities	<u>262,057</u>	<u>-</u>	<u>425,473</u>	<u>506,367</u>	<u>1,193,897</u>	<u>492,560</u>
FUND BALANCES						
Nonspendable						
Prepaid expenses	6,110	-	-	-	6,110	-
Restricted						
Stabilization by State Statute	1,739,049	-	927,310	95,864	2,762,223	2,269,773
Parks capital projects	65,883	-	-	-	65,883	65,929
Public housing	-	-	-	480,311	480,311	-
Transit capital purchases	-	-	60,529	-	60,529	-
Infrastructure capital projects	-	214,756	-	-	214,756	241,783
Committed						
Municipal buildings capital projects	475,687	-	-	-	475,687	-
Technology capital projects	751,137	-	-	-	751,137	-
Fire capital projects	20,353	-	-	-	20,353	844,189
Assigned						
Streets capital projects	7,209	-	-	-	7,209	-
Municipal buildings capital projects	318,978	-	-	-	318,978	583,292
Parks capital projects	85,538	-	-	-	85,538	91,388
Technology capital projects	4,464	-	-	-	4,464	68,768
Unassigned	(346,226)	-	(987,839)	(570,714)	(1,904,779)	(1,127,213)
Total fund balances	<u>3,128,182</u>	<u>214,756</u>	<u>-</u>	<u>5,461</u>	<u>3,348,399</u>	<u>3,037,909</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,390,239</u>	<u>\$ 214,756</u>	<u>\$ 425,473</u>	<u>\$ 511,828</u>	<u>\$ 4,542,296</u>	<u>\$ 3,530,469</u>

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2014	2013
REVENUES				
Taxes	-	245,848	245,848	228,872
Intergovernmental revenues				
Federal government	1,909,906	649,449	2,559,355	1,468,217
State government	-	13,516	13,516	60,375
Other	4,982	21,649	26,631	53,403
Interest on investments	3,033	880	3,913	3,278
Franchise rental fees	71,766	-	71,766	57,987
Program income	11,839	27,464	39,303	43,047
Donations	-	142,136	142,136	828,210
Revenue in lieu	-	182,560	182,560	1,500
Insurance recovery	267,092	-	267,092	-
Other	20,887	-	20,887	697
Total revenues	2,289,505	1,283,502	3,573,007	2,745,586
EXPENDITURES				
Environment and development	-	1,160,090	1,160,090	1,812,037
Public safety	-	70,009	70,009	30,579
Leisure activities	-	171,932	171,932	718,621
Capital projects	4,562,538	-	4,562,538	1,280,188
Total expenditures	4,562,538	1,402,031	5,964,569	3,841,425
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(2,273,033)	(118,529)	(2,391,562)	(1,095,839)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	2,583,523	81,875	2,665,398	1,777,334
Transfer to other funds	-	(45,000)	(45,000)	(118,484)
Total other financing sources (uses)	2,583,523	36,875	2,620,398	1,658,850
NET CHANGE IN TOTAL FUND BALANCES	310,490	(81,654)	228,836	563,011
FUND BALANCES, BEGINNING	3,037,909	962,090	3,999,999	3,436,988
FUND BALANCES, ENDING	\$ 3,348,399	\$ 880,436	\$ 4,228,835	\$ 3,999,999

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, 2014 (With Comparative Totals as of June 30, 2013)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Federal government	343,857	-	-	-
State government	-	-	-	-
Other	-	-	-	-
Interest on investments	-	356	21	34
Program income	17,339	-	10,125	-
Donations	-	-	-	-
Revenue in lieu	-	182,560	-	-
	<u>361,196</u>	<u>182,916</u>	<u>10,146</u>	<u>34</u>
Total revenues				
EXPENDITURES				
Environment and development	361,196	167,865	8,002	-
Public safety	-	-	-	-
Leisure activities	-	-	-	-
	<u>361,196</u>	<u>167,865</u>	<u>8,002</u>	<u>-</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>15,051</u>	<u>2,144</u>	<u>34</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCES				
	-	15,051	2,144	34
FUND BALANCES, BEGINNING				
	<u>113,836</u>	<u>302,352</u>	<u>3,870</u>	<u>46,930</u>
FUND BALANCES, ENDING				
	<u>\$ 113,836</u>	<u>\$ 317,403</u>	<u>\$ 6,014</u>	<u>\$ 46,964</u>

Schedule 5

Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
			2014	2013
\$ -	\$ 245,848	\$ -	\$ 245,848	\$ 228,872
305,592	-	-	649,449	909,216
13,516	-	-	13,516	60,375
21,649	-	-	21,649	53,403
-	107	362	880	1,321
-	-	-	27,464	43,047
-	-	142,136	142,136	828,210
-	-	-	182,560	-
<u>340,757</u>	<u>245,955</u>	<u>142,498</u>	<u>1,283,502</u>	<u>2,124,444</u>
379,496	243,531	-	1,160,090	1,812,037
70,009	-	-	70,009	30,579
-	-	171,932	171,932	718,621
<u>449,505</u>	<u>243,531</u>	<u>171,932</u>	<u>1,402,031</u>	<u>2,561,237</u>
<u>(108,748)</u>	<u>2,424</u>	<u>(29,434)</u>	<u>(118,529)</u>	<u>(436,793)</u>
81,875	-	-	81,875	142,334
-	-	(45,000)	(45,000)	(45,000)
<u>81,875</u>	<u>-</u>	<u>(45,000)</u>	<u>36,875</u>	<u>97,334</u>
(26,873)	2,424	(74,434)	(81,654)	(339,459)
<u>35,053</u>	<u>128,554</u>	<u>331,495</u>	<u>962,090</u>	<u>1,301,549</u>
<u>\$ 8,180</u>	<u>\$ 130,978</u>	<u>\$ 257,061</u>	<u>\$ 880,436</u>	<u>\$ 962,090</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2014	2013
REVENUES						
Intergovernmental revenues						
Federal government	\$ -	\$ -	\$ 695,310	\$ 1,214,596	1,909,906	\$ 559,001
Other	-	-	4,982	-	4,982	-
Interest on investments	2,797	236	-	-	3,033	1,957
Franchise rental fees	71,766	-	-	-	71,766	57,987
Program income	11,839	-	-	-	11,839	-
Revenue in lieu	-	-	-	-	-	1,500
Insurance recovery	267,092	-	-	-	267,092	-
Other	-	-	-	20,887	20,887	697
Total revenues	<u>353,494</u>	<u>236</u>	<u>700,292</u>	<u>1,235,483</u>	<u>2,289,505</u>	<u>621,142</u>
EXPENDITURES						
Capital projects:						
Municipal facilities	1,011,548	-	-	1,230,022	2,241,570	692,855
Street improvements and sidewalks	99,921	-	-	-	99,921	120,512
Parks, recreation and open space	380,924	-	-	-	380,924	131,253
Technology and communications	135,622	-	-	-	135,622	329,757
Public safety	830,379	-	-	-	830,379	5,811
Transit equipment and improvements	-	-	874,122	-	874,122	-
Total expenditures	<u>2,458,394</u>	<u>-</u>	<u>874,122</u>	<u>1,230,022</u>	<u>4,562,538</u>	<u>1,280,188</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,104,900)</u>	<u>236</u>	<u>(173,830)</u>	<u>5,461</u>	<u>(2,273,033)</u>	<u>(659,046)</u>
OTHER FINANCING SOURCES (USES)						
Transfer from General Fund	2,409,693	-	-	-	2,409,693	1,635,000
Transfer from Transit Fund	-	-	173,830	-	173,830	-
Transfer to Capital Projects Ordinance Fund	-	-	-	-	-	(73,484)
Total other financing sources (uses)	<u>2,409,693</u>	<u>-</u>	<u>173,830</u>	<u>-</u>	<u>2,583,523</u>	<u>1,561,516</u>
NET CHANGE IN TOTAL FUND BALANCES	304,793	236	-	5,461	310,490	902,470
FUND BALANCES, BEGINNING	<u>2,823,389</u>	<u>214,520</u>	<u>-</u>	<u>-</u>	<u>3,037,909</u>	<u>2,135,439</u>
FUND BALANCES, ENDING	<u>\$ 3,128,182</u>	<u>\$ 214,756</u>	<u>\$ -</u>	<u>\$ 5,461</u>	<u>\$ 3,348,399</u>	<u>\$ 3,037,909</u>

INTERNAL SERVICE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2014	2013
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,439,639	\$ 430,021	\$ 552,080	\$ 2,421,740	\$ 2,632,869
Accounts receivable	-	18,725	-	18,725	151,974
Inventories	-	38,846	-	38,846	94,545
Restricted cash and cash equivalents	2,504,930	-	-	2,504,930	1,630,108
Total current assets	3,944,569	487,592	552,080	4,984,241	4,509,496
NONCURRENT ASSETS					
Capital assets, net of depreciation	4,113,656	583	-	4,114,239	4,451,556
TOTAL ASSETS	8,058,225	488,175	552,080	9,098,480	8,961,052
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	111,849	75,646	65,245	252,740	244,725
Accrued liabilities	-	12,215	-	12,215	11,529
Compensated absences	-	31,504	-	31,504	27,388
Installment purchase agreements	829,004	-	-	829,004	990,168
Total current liabilities	940,853	119,365	65,245	1,125,463	1,273,810
NONCURRENT LIABILITIES					
Compensated absences	-	3,301	-	3,301	7,559
Other postemployment benefits	-	261,227	-	261,227	209,140
Installment purchase agreements	3,061,771	-	-	3,061,771	3,077,498
Total noncurrent liabilities	3,061,771	264,528	-	3,326,299	3,294,197
TOTAL LIABILITIES	4,002,624	383,893	65,245	4,451,762	4,568,007
NET POSITION					
Net investment in capital assets	2,727,811	583	-	2,728,394	2,013,998
Unrestricted	1,327,790	103,699	486,835	1,918,324	2,379,047
TOTAL NET POSITION	\$ 4,055,601	\$ 104,282	\$ 486,835	\$ 4,646,718	\$ 4,393,045

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2014	2013
OPERATING REVENUES					
Charges for services	\$ 1,565,000	\$ 1,180,573	\$ 160,095	\$ 2,905,668	\$ 2,928,600
OPERATING EXPENSES					
Depreciation and amortization	1,279,980	1,165	-	1,281,145	1,275,047
Personnel	-	585,306	-	585,306	592,577
Operations	15,654	729,138	150,497	895,289	705,134
Total operating expenses	1,295,634	1,315,609	150,497	2,761,740	2,572,758
OPERATING INCOME	269,366	(135,036)	9,598	143,928	355,842
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	42,817	-	42,817	23,072
Interest on investments	4,566	500	549	5,615	4,090
Interest expense	(95,946)	-	-	(95,946)	(109,282)
Gain on sale of capital assets	151,873	-	5,386	157,259	78,130
Total nonoperating revenues (expenses), net	60,493	43,317	5,935	109,745	(3,990)
CHANGE IN NET POSITION	329,859	(91,719)	15,533	253,673	351,852
NET POSITION, BEGINNING	3,725,742	196,001	471,302	4,393,045	4,041,193
NET POSITION, ENDING	\$ 4,055,601	\$ 104,282	\$ 486,835	\$ 4,646,718	\$ 4,393,045

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,699,513	\$ 1,179,309	\$ 160,095	\$ 3,038,917	\$ 2,807,857
Payments to employees	-	(532,675)	-	(532,675)	(527,118)
Payments to suppliers	(89,636)	(656,687)	(85,252)	(831,575)	(542,597)
Net cash provided by (used in) operating activities	1,609,877	(10,053)	74,843	1,674,667	1,738,142
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	872,000	-	-	872,000	876,200
Principal paid on installment purchase agreements	(1,048,891)	-	-	(1,048,891)	(1,248,975)
Interest paid on installment purchase agreements	(95,946)	-	-	(95,946)	(109,282)
Proceeds from sale of capital assets	155,926	-	5,386	161,312	99,352
Proceeds from insurance recovery	-	42,817	-	42,817	23,072
Acquisition and construction of capital assets	(947,881)	-	-	(947,881)	(1,663,745)
Net cash provided by (used in) capital and related financing activities	(1,064,792)	42,817	5,386	(1,016,589)	(2,023,378)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	4,566	500	549	5,615	4,090
Net cash provided by investing activities	4,566	500	549	5,615	4,090

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014 (With Comparative Totals as of June 30, 2013)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2014	2013
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	549,651	33,264	80,778	663,693	(281,146)
CASH AND INVESTMENTS, BEGINNING	3,394,918	396,757	471,302	4,262,977	4,544,123
CASH AND INVESTMENTS, ENDING	<u>\$ 3,944,569</u>	<u>\$ 430,021</u>	<u>\$ 552,080</u>	<u>\$ 4,926,670</u>	<u>\$ 4,262,977</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 269,366	\$ (135,036)	\$ 9,598	\$ 143,928	\$ 355,842
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,279,980	1,165	-	1,281,145	1,275,047
Changes in assets and liabilities:					
Receivables	134,513	(1,264)	-	133,249	(120,743)
Inventories	-	55,699	-	55,699	16,816
Accounts payable	(73,982)	16,752	65,245	8,015	145,721
Accrued liabilities	-	686	-	686	(1,130)
Compensated absences	-	(142)	-	(142)	2,915
Accrued OPEB liability	-	52,087	-	52,087	63,674
Net cash provided by operating activities	<u>\$ 1,609,877</u>	<u>\$ (10,053)</u>	<u>\$ 74,843</u>	<u>\$ 1,674,667</u>	<u>\$ 1,738,142</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 28,380,000	\$ 28,380,000	\$ 28,773,125	\$ 393,125
Ad valorem taxes - prior years	170,000	170,000	143,890	(26,110)
Interest on delinquent taxes	-	-	89,721	89,721
Interest on state held taxes	-	-	37,440	37,440
Local option sales taxes	10,260,000	10,260,000	10,548,129	288,129
Occupancy tax	975,000	975,000	1,044,856	69,856
Other taxes	44,000	44,000	59,698	15,698
	<u>39,829,000</u>	<u>39,829,000</u>	<u>40,696,859</u>	<u>867,859</u>
Licenses and permits				
Motor vehicles	420,000	420,000	580,650	160,650
Privilege licenses	150,000	150,000	150,139	139
Building permits	800,000	800,000	1,257,590	457,590
Special use permits	250,000	250,000	490,291	240,291
Work zone traffic permits	65,000	65,000	30,450	(34,550)
Engineering permits	19,400	19,400	40,435	21,035
Fire inspection fees	2,500	2,500	2,360	(140)
Traffic impact study and fees	103,100	103,100	60,189	(42,911)
Police permits	57,715	57,715	47,484	(10,231)
Fire permits	20,800	20,800	23,600	2,800
	<u>1,888,515</u>	<u>1,888,515</u>	<u>2,683,188</u>	<u>794,673</u>
Fines and forfeitures				
Garbage citations and leash law fees	3,450	3,450	1,750	(1,700)
Parking tickets and towing fees	27,875	27,875	18,193	(9,682)
	<u>31,325</u>	<u>31,325</u>	<u>19,943</u>	<u>(11,382)</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
FEMA Grant	\$ -	\$ -	\$ 113,947	\$ 113,947
USDOJ Equitable Sharing - Drug	13,000	13,000	209,726	196,726
Total federal government	13,000	13,000	323,673	310,673
State of North Carolina				
Beer and wine tax	240,000	240,000	259,269	19,269
Fuel tax (Powell Bill) funds	1,400,000	1,400,000	1,491,339	91,339
State fire protection	1,088,630	1,088,630	1,091,005	2,375
Utility franchise tax	2,800,000	2,800,000	2,907,219	107,219
Video programming tax	700,000	700,000	702,221	2,221
Supplemental PEG support	50,000	50,000	95,537	45,537
Solid waste disposal tax	40,000	40,000	36,214	(3,786)
State library aid	15,000	15,000	28,308	13,308
NCDENR grant	-	75,000	-	(75,000)
NCDOT Reimbursement grant	113,000	113,000	-	(113,000)
State Equitable Sharing - Drug	6,000	6,000	11,123	5,123
Total State of North Carolina	6,452,630	6,527,630	6,622,235	94,605
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	483,426	483,426	483,426	-
Orange County contribution	-	656,469	656,469	-
Carrboro contribution	4,200	8,600	5,278	(3,322)
Miscellaneous local grants	-	6,000	-	(6,000)
Total other	571,386	1,238,255	1,228,933	(9,322)
Total intergovernmental revenues	7,037,016	7,778,885	8,174,841	395,956

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 132,700	\$ 132,700	\$ 157,386	\$ 24,686
Library delinquent collection fees	2,000	2,000	6,373	4,373
Street cuts and right of way	69,700	69,700	51,680	(18,020)
Traffic signals	250,000	250,000	291,459	41,459
Rent revenue	126,820	126,820	190,840	64,020
Cemetery staking	2,500	2,500	3,985	1,485
Fire districts	281,750	281,750	276,927	(4,823)
Solid waste collection	378,180	378,180	363,033	(15,147)
Planning review	62,850	237,850	254,017	16,167
Engineering review	44,000	44,000	5,230	(38,770)
Recreation	730,672	730,672	690,269	(40,403)
Charges to other funds	1,236,297	1,236,297	1,144,071	(92,226)
	<u>3,317,469</u>	<u>3,492,469</u>	<u>3,435,270</u>	<u>(57,199)</u>
Total charges for services				
Interest on investments	<u>20,000</u>	<u>20,000</u>	<u>25,553</u>	<u>5,553</u>
Other				
Sales - planning and documents	35,750	35,750	16,642	(19,108)
Sales - fixed assets	5,000	5,000	3,752	(1,248)
Sales - fuel	9,500	9,500	12,664	3,164
Sales - miscellaneous	5,050	5,050	6,705	1,655
Cemetery lot sales	60,000	60,000	120,230	60,230
Court fees	25,000	25,000	26,081	1,081
Mutual aid reimbursements	305,000	305,000	486,784	181,784
Gifts and donations	100,000	100,000	108,423	8,423
Revenue in lieu	-	31,299	262,629	231,330
Insurance recovery	-	-	44,340	44,340
Miscellaneous	<u>11,500</u>	<u>11,500</u>	<u>91,372</u>	<u>79,872</u>
Total other revenues	<u>556,800</u>	<u>588,099</u>	<u>1,179,622</u>	<u>591,523</u>
TOTAL REVENUES	<u>52,680,125</u>	<u>53,628,293</u>	<u>56,215,276</u>	<u>2,586,983</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 436,573	\$ 446,660	\$ 433,203	\$ 13,457
Manager/CaPA	2,410,088	2,420,518	2,228,914	191,604
Human Resources	1,339,622	1,427,545	1,128,772	298,773
Business Management	2,995,502	3,093,526	2,805,499	288,027
Attorney	303,197	353,197	346,522	6,675
Total general government	<u>7,484,982</u>	<u>7,741,446</u>	<u>6,942,910</u>	<u>798,536</u>
Environment and development				
Planning	1,425,972	1,929,005	1,530,255	398,750
Public Works	12,019,220	13,055,204	12,054,920	1,000,284
Total environment and development	<u>13,445,192</u>	<u>14,984,209</u>	<u>13,585,175</u>	<u>1,399,034</u>
Public safety				
Police	12,759,697	12,851,222	12,019,034	832,188
Fire	8,147,917	8,205,447	7,856,964	348,483
Total public safety	<u>20,907,614</u>	<u>21,056,669</u>	<u>19,875,998</u>	<u>1,180,671</u>
Leisure activities				
Parks and recreation	6,114,147	6,381,715	5,929,956	451,759
Library	2,662,855	2,663,014	2,347,212	315,802
Total leisure activities	<u>8,777,002</u>	<u>9,044,729</u>	<u>8,277,168</u>	<u>767,561</u>
Nondepartmental				
Liability insurance	450,000	450,000	395,972	54,028
Supplemental PEG expense	210,000	210,000	198,746	11,254
Contributions to agencies	864,315	885,598	873,881	11,717
Contribution to OPEB liability	-	1,200,000	-	1,200,000
Retiree medical insurance	941,085	941,085	975,701	(34,616)
General government	866,184	477,875	153,836	324,039
Total nondepartmental	<u>3,331,584</u>	<u>4,164,558</u>	<u>2,598,136</u>	<u>1,566,422</u>
Total expenditures	<u>53,946,374</u>	<u>56,991,611</u>	<u>51,279,387</u>	<u>5,712,224</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,266,249)	(3,363,318)	4,935,889	8,299,207
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	77,225	77,225	125,424	48,199
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Stormwater Fund	(5,800)	(5,800)	(6,275)	(475)
Transfer to Capital Improvements Fund	(758,500)	(2,409,693)	(2,409,693)	-
Transfer to Grants Fund	(77,826)	(90,286)	(78,636)	11,650
Appropriated fund balance	<u>1,986,150</u>	<u>5,746,872</u>	<u>-</u>	<u>(5,746,872)</u>
Total other financing sources (uses)	<u>1,266,249</u>	<u>3,363,318</u>	<u>(2,324,180)</u>	<u>(5,687,498)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	2,611,709	<u>\$ 2,611,709</u>
FUND BALANCE, BEGINNING			<u>23,527,782</u>	
FUND BALANCE, ENDING			<u>\$ 26,139,491</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 5,486,000	\$ 5,486,000	\$ 5,561,000	\$ 75,000
Ad valorem taxes - prior years	-	-	25,519	25,519
Intergovernmental revenues				
Federal government	168,360	168,360	169,366	1,006
Interest on investments	1,000	1,000	4,005	3,005
	<u>5,655,360</u>	<u>5,655,360</u>	<u>5,759,890</u>	<u>104,530</u>
EXPENDITURES				
Debt service:				
Principal	4,904,000	4,904,000	4,904,000	-
Interest and fiscal charges	2,500,742	2,500,742	2,300,475	200,267
	<u>7,404,742</u>	<u>7,404,742</u>	<u>7,204,475</u>	<u>200,267</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(1,749,382)	(1,749,382)	(1,444,585)	304,797
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	908,331	908,331	908,331	-
Appropriated fund balance	841,051	841,051	-	(841,051)
	<u>1,749,382</u>	<u>1,749,382</u>	<u>908,331</u>	<u>(841,051)</u>
NET CHANGE IN TOTAL FUND BALANCE				
	\$ -	\$ -	(536,254)	\$ (536,254)
FUND BALANCES, BEGINNING			<u>5,340,180</u>	
FUND BALANCES, ENDING			<u>\$ 4,803,926</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 2,524,155	\$ 3,049,430	\$ 1,020	\$ 3,050,450
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,739,141	1,510,498	-	1,510,498
FTA STPDA Grants	1,610,000	397,374	709,594	1,106,968
U.S. DOE SEEA Grant	907,041	741,305	36,367	777,672
Other Federal Grants	955,885	923,797	4,499	928,296
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	1,980,636	1,680,310	-	1,680,310
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	86,971	86,971	-	86,971
Orange County parks bonds	8,500,000	8,482,520	-	8,482,520
Other Grants	1,261,939	250,855	634,357	885,212
Charges for services	183,117	268,005	-	268,005
Donations	813,993	813,928	-	813,928
Revenue in lieu	175,692	182,697	-	182,697
Other	602,566	605,783	-	605,783
Total revenues	22,254,001	19,962,203	1,385,837	21,348,040
EXPENDITURES				
Parks, recreation, library and open space capital improvements	52,394,334	45,416,815	3,483,446	48,900,261
Public safety capital improvements	2,331,602	2,331,602	-	2,331,602
Public works facility	31,083,380	30,709,997	69,707	30,779,704
Municipal facilities	10,166,738	8,462,132	241,685	8,703,817
Sewer capital improvements	398,853	368,195	24,877	393,072
Software development	300,000	252,852	21,946	274,798
Street and sidewalk improvements	12,696,574	8,647,400	909,080	9,556,480
Total expenditures	109,371,481	96,188,993	4,750,741	100,939,734
DEFICIENCY OF REVENUES OVER EXPENDITURES	(87,117,480)	(76,226,790)	(3,364,904)	(79,591,694)

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, 2014**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	52,002,272	52,071,876	-	52,071,876
Proceeds from financing	29,861,733	29,861,733	-	29,861,733
Transfer from General Fund	3,832,071	3,832,071	-	3,832,071
Transfer from Capital Projects Fund	747,077	733,889	-	733,889
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	454,475	454,475	-	454,475
Transfer from Stormwater Fund	127,314	127,314	-	127,314
Transfer to Capital Projects Fund	(84,928)	(84,928)	-	(84,928)
Transfer to Stormwater Fund	-	-	(4,499)	(4,499)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>87,117,480</u>	<u>87,150,815</u>	<u>(4,499)</u>	<u>87,146,316</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 10,924,025</u>	<u>\$ (3,369,403)</u>	<u>\$ 7,554,622</u>
FUND BALANCE, BEGINNING			<u>10,924,025</u>	
FUND BALANCE, ENDING			<u>\$ 7,554,622</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 1,000	\$ 1,000	\$ 2,797	\$ 1,797
Franchise rental fees	55,000	55,000	71,766	16,766
Program income	14,000	14,000	11,839	(2,161)
Insurance recovery	-	267,092	267,092	-
Total revenues	<u>70,000</u>	<u>337,092</u>	<u>353,494</u>	<u>16,402</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	304,000	2,117,565	1,011,548	1,106,017
Street improvements and sidewalks	80,000	107,263	99,921	7,342
Parks, recreation and open space	355,000	467,171	380,924	86,247
Technology and communications	89,500	891,426	135,622	755,804
Public safety	-	844,189	830,379	13,810
Total expenditures	<u>828,500</u>	<u>4,427,614</u>	<u>2,458,394</u>	<u>1,969,220</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(758,500)</u>	<u>(4,090,522)</u>	<u>(2,104,900)</u>	<u>1,985,622</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	758,500	2,409,693	2,409,693	-
Appropriated fund balance	-	1,680,829	-	(1,680,829)
Total other financing sources	<u>758,500</u>	<u>4,090,522</u>	<u>2,409,693</u>	<u>(1,680,829)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	304,793	<u>\$ 304,793</u>
FUND BALANCE, BEGINNING			<u>2,823,389</u>	
FUND BALANCE, ENDING			<u>\$ 3,128,182</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND
 YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 236	\$ 236
Total revenues	-	-	236	236
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	236	<u>\$ 236</u>
FUND BALANCE, BEGINNING			<u>214,520</u>	
FUND BALANCE, ENDING			<u>\$ 214,756</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 12,514,759	\$ 9,960,384	\$ 695,310	\$ 10,655,694
State government	1,111,557	859,019	-	859,019
Other	260,000	224,160	4,982	229,142
Total revenues	<u>13,886,316</u>	<u>11,043,563</u>	<u>700,292</u>	<u>11,743,855</u>
EXPENDITURES				
Bus purchases	10,657,442	10,618,847	-	10,618,847
Equipment and improvements	1,264,674	713,825	223,440	937,265
Administration	3,743,640	1,010,523	650,682	1,661,205
Total expenditures	<u>15,665,756</u>	<u>12,343,195</u>	<u>874,122</u>	<u>13,217,317</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,779,440)</u>	<u>(1,299,632)</u>	<u>(173,830)</u>	<u>(1,473,462)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	2,499,440	2,019,632	173,830	2,193,462
Transfer to other funds	(720,000)	(720,000)	-	(720,000)
Total other financing sources (uses)	<u>1,779,440</u>	<u>1,299,632</u>	<u>173,830</u>	<u>1,473,462</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING			-	
FUND BALANCE, ENDING			<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, 2014**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2010	594,401	278,161	316,240	594,401
Capital Grant 2011	506,097	55,377	450,720	506,097
Capital Grant 2012	448,270	22,597	413,317	435,914
Capital Grant 2013	444,974	-	34,319	34,319
Total federal government	1,993,742	356,135	1,214,596	1,570,731
Other revenues	21,584	698	20,887	21,585
Total revenues	2,015,326	356,833	1,235,483	1,592,316
EXPENDITURES				
Environment and development	2,015,326	356,833	1,230,022	1,586,855
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	\$ 5,461	\$ 5,461

**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, 2014**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Block Grant 02	\$ 445,000	\$ 445,000	\$ -	\$ 445,000
Block Grant 03	723,000	723,000	-	723,000
Block Grant 04	711,000	711,000	-	711,000
Block Grant 05	666,392	666,392	-	666,392
Block Grant 06	598,310	598,310	-	598,310
Block Grant 07	596,282	596,282	-	596,282
Block Grant 08	574,804	574,804	-	574,804
Block Grant 09	584,379	584,379	-	584,379
Block Grant 10	633,405	633,405	-	633,405
Block Grant 11	529,660	529,660	-	529,660
Block Grant 12	410,687	338,531	72,156	410,687
Block Grant 13	406,248	-	271,701	271,701
Program income	251,841	241,843	17,339	259,182
Total revenues	<u>7,131,008</u>	<u>6,642,606</u>	<u>361,196</u>	<u>7,003,802</u>
EXPENDITURES				
Public improvement	1,977,636	1,798,985	15,000	1,813,985
Neighborhood revitalization	3,130,109	2,879,162	189,385	3,068,547
Homeownership opportunities	17,000	17,000	-	17,000
Administration	1,206,997	1,125,097	78,178	1,203,275
Community services	799,266	708,526	78,633	787,159
Total expenditures	<u>7,131,008</u>	<u>6,528,770</u>	<u>361,196</u>	<u>6,889,966</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>-</u>	<u>113,836</u>	<u>-</u>	<u>113,836</u>
FUND BALANCE, BEGINNING			<u>113,836</u>	
FUND BALANCE, ENDING			<u>\$ 113,836</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2014**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 44,740	\$ 45,254	\$ 356	\$ 45,610
Program income	650,799	650,800	-	650,800
Revenue in lieu	<u>1,431,960</u>	<u>1,249,400</u>	<u>182,560</u>	<u>1,431,960</u>
Total revenues	<u>2,127,499</u>	<u>1,945,454</u>	<u>182,916</u>	<u>2,128,370</u>
EXPENDITURES				
Environment and development	<u>2,283,277</u>	<u>1,798,881</u>	<u>167,865</u>	<u>1,966,746</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(155,778)</u>	<u>146,573</u>	<u>15,051</u>	<u>161,624</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>155,778</u>	<u>155,779</u>	<u>-</u>	<u>155,779</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 302,352</u>	<u>\$ 15,051</u>	<u>\$ 317,403</u>
FUND BALANCE, BEGINNING			<u>302,352</u>	
FUND BALANCE, ENDING			<u>\$ 317,403</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, 2014**

	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	574	21	595
Program income	87,761	71,963	10,125	82,088
Other	-	300	-	300
	<u>448,640</u>	<u>313,613</u>	<u>10,146</u>	<u>323,759</u>
EXPENDITURES				
Environment and development	<u>466,140</u>	<u>327,243</u>	<u>8,002</u>	<u>335,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(13,630)</u>	<u>2,144</u>	<u>(11,486)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 3,870</u>	<u>\$ 2,144</u>	<u>\$ 6,014</u>
FUND BALANCE, BEGINNING			<u>3,870</u>	
FUND BALANCE, ENDING			<u>\$ 6,014</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, 2014**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,755	34	1,789
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,803</u>	<u>34</u>	<u>481,837</u>
Total revenues				
	<u>231,250</u>	<u>481,803</u>	<u>34</u>	<u>481,837</u>
EXPENDITURES				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 46,930</u>	<u>\$ 34</u>	<u>\$ 46,964</u>
FUND BALANCE, BEGINNING			<u>46,930</u>	
FUND BALANCE, ENDING			<u>\$ 46,964</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	237,560	389,386	305,592	(83,794)
State government	13,520	13,520	13,516	(4)
Other	-	37,760	21,649	(16,111)
Total revenues	<u>251,080</u>	<u>440,666</u>	<u>340,757</u>	<u>(99,909)</u>
EXPENDITURES				
Environment and development	332,145	451,978	379,496	72,482
Public safety	-	109,631	70,009	39,622
Total expenditures	<u>332,145</u>	<u>561,609</u>	<u>449,505</u>	<u>112,104</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(81,065)</u>	<u>(120,943)</u>	<u>(108,748)</u>	<u>12,195</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	77,826	90,286	78,636	(11,650)
Transfers from Transit Fund	3,239	3,239	3,239	-
Appropriated fund balance	-	27,418	-	(27,418)
Total other financing sources	<u>81,065</u>	<u>120,943</u>	<u>81,875</u>	<u>(39,068)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(26,873)	<u>\$ (26,873)</u>
FUND BALANCE, BEGINNING			<u>35,053</u>	
FUND BALANCE, ENDING			<u>\$ 8,180</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 229,000	\$ 229,000	\$ 245,848	\$ 16,848
Intergovernmental revenues - other	40,000	40,000	-	(40,000)
Interest on investments	-	-	107	107
Total revenues	<u>269,000</u>	<u>269,000</u>	<u>245,955</u>	<u>(23,045)</u>
EXPENDITURES				
Environment and development	<u>260,849</u>	<u>260,849</u>	<u>243,531</u>	<u>17,318</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>8,151</u>	<u>8,151</u>	<u>2,424</u>	<u>(5,727)</u>
OTHER FINANCING USES				
Contribution to reserve	<u>(8,151)</u>	<u>(8,151)</u>	-	<u>8,151</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>2,424</u>	<u>\$ 2,424</u>
FUND BALANCE, BEGINNING			<u>128,554</u>	
FUND BALANCE, ENDING			<u>\$ 130,978</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 362	\$ 362
Library donations	79,000	132,525	142,136	9,611
Total revenues	79,000	132,525	142,498	9,973
EXPENDITURES				
Leisure activities	18,000	190,302	171,932	18,370
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	61,000	(57,777)	(29,434)	28,343
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(45,000)	(45,000)	(45,000)	-
Contribution to reserve	(20,000)	(2,059)	-	2,059
Appropriated fund balance	4,000	104,836	-	(104,836)
Total other financing sources (uses)	(61,000)	57,777	(45,000)	(102,777)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(74,434)	\$ (74,434)
FUND BALANCE, BEGINNING			331,495	
FUND BALANCE, ENDING			\$ 257,061	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 366,468	\$ (23,977)
Bus advertising	263,132	263,132	97,942	(165,190)
Other	406,278	406,278	522,148	115,870
Total charges for services	<u>1,059,855</u>	<u>1,059,855</u>	<u>986,558</u>	<u>(73,297)</u>
OPERATING EXPENSES				
Personnel	11,413,118	11,630,890	10,944,693	686,197
Fuel and tires	2,319,800	2,283,241	1,952,117	331,124
Indirect costs	1,049,951	1,049,951	968,071	81,880
Building maintenance	610,240	803,947	515,789	288,158
Vehicle maintenance	1,735,343	2,304,573	1,388,008	916,565
Insurance	421,621	421,621	342,128	79,493
Advertising and marketing	179,578	178,078	89,482	88,596
Tarheel Express	282,665	286,115	234,846	51,269
Uniforms and supplies	152,859	180,514	96,217	84,297
Contracted services	1,317,423	779,650	329,939	449,711
Other	277,067	525,784	297,251	228,533
Total operating expenses	<u>19,759,665</u>	<u>20,444,364</u>	<u>17,158,541</u>	<u>3,285,823</u>
OPERATING LOSS	<u>(18,699,810)</u>	<u>(19,384,509)</u>	<u>(16,171,983)</u>	<u>3,212,526</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,625,150	2,544,060	2,085,982	(458,078)
State Operating Assistance Grant	2,528,671	3,066,419	2,773,270	(293,149)
Local Operating Assistance Grant	-	-	12,000	12,000
Operating assistance-UNC Chapel Hill	7,364,487	7,364,487	7,364,487	-
Operating assistance-Town of Carrboro	1,396,422	1,396,422	1,396,423	1
Operating assistance - TTA Vehicle Fees	472,000	472,000	353,400	(118,600)
Vehicle licenses	424,738	424,738	579,266	154,528
Ad valorem taxes	3,740,000	3,740,000	3,794,976	54,976
Interest on investments	2,500	2,500	9,846	7,346
Insurance recovery	49,371	49,371	24,259	(25,112)
Capital outlay	-	(158,018)	-	158,018
Proceeds from sale of fixed assets	12,300	12,300	1,700	(10,600)
Revenue in lieu	-	-	33,500	33,500
Appropriated fund balance	374,171	760,230	-	(760,230)
Total nonoperating revenues (expenses), net	<u>18,989,810</u>	<u>19,674,509</u>	<u>18,429,109</u>	<u>(1,245,400)</u>
INCOME BEFORE TRANSFERS	<u>290,000</u>	<u>290,000</u>	<u>2,257,126</u>	<u>1,967,126</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	-	11,568	-	(11,568)
Transfers out	<u>(290,000)</u>	<u>(301,568)</u>	<u>(177,069)</u>	<u>124,499</u>
Total transfers	<u>(290,000)</u>	<u>(290,000)</u>	<u>(177,069)</u>	<u>112,931</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	2,080,057	<u>\$ 2,080,057</u>
Reconciliation of modified accrual basis to full accrual basis:				
Capital contributions			176,358	
Depreciation and amortization			<u>(4,127,880)</u>	
Change in net position			<u>\$ (1,871,465)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,588,570	\$ 2,588,570	\$ 2,395,883	\$ (192,687)
OPERATING EXPENSES				
Personnel	823,002	823,928	871,080	(47,152)
Maintenance and repairs	160,040	130,132	76,948	53,184
Credit card fees	83,600	94,499	95,669	(1,170)
Lot rent	216,910	208,300	238,443	(30,143)
Indirect costs	79,466	79,466	78,594	872
Contracted services	30,200	76,521	56,124	20,397
Other	251,995	291,469	246,489	44,980
Total operating expenses	1,645,213	1,704,315	1,663,347	40,968
OPERATING INCOME	943,357	884,255	732,536	(151,719)
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	7,250	7,250	1,978	(5,272)
Insurance recovery	-	-	6,200	6,200
Capital outlay	(69,516)	(224,194)	(6,760)	217,434
Appropriated fund balance	104,465	318,245	-	(318,245)
Total nonoperating revenues (expenses), net	42,199	101,301	1,418	(99,883)
INCOME BEFORE TRANSFERS	985,556	985,556	733,954	(251,602)
TRANSFERS				
Transfers out	(985,556)	(985,556)	(1,033,755)	(48,199)
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(299,801)	\$ (299,801)
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			6,760	
Depreciation and amortization			(437,879)	
Change in net position			\$ (730,920)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 709,906	\$ 709,906	\$ 882,363	\$ 172,457
OPERATING EXPENSES				
Personnel	1,061,844	1,058,770	1,125,161	(66,391)
Maintenance and repairs	493,310	894,936	915,687	(20,751)
Utilities	163,900	165,800	170,846	(5,046)
Other	190,535	203,480	175,657	27,823
Total operating expenses	1,909,589	2,322,986	2,387,351	(64,365)
OPERATING LOSS	(1,199,683)	(1,613,080)	(1,504,988)	108,092
NONOPERATING REVENUES & (EXPENSES)				
Federal Operating Assistance Grant	1,110,290	1,110,290	1,231,670	121,380
Interest on investments	2,100	2,100	1,911	(189)
Insurance recovery	-	208,967	217,112	8,145
Capital outlay	-	(567,236)	(239,363)	327,873
Proceeds from sale of fixed assets	-	-	5,570	5,570
Appropriated fund balance	87,293	858,959	-	(858,959)
Total nonoperating revenues	1,199,683	1,613,080	1,216,900	(396,180)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	(288,088)	\$ (288,088)
Reconciliation of modified accrual basis to full accrual basis:				
Capital contributions			2,077,462	
Capital outlay			239,363	
Depreciation and amortization			(629,044)	
Change in net position			\$ 1,399,693	

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 4,000,842	\$ -	4,000,842
113	Cash - other restricted	-	480,311	480,311
114	Cash - tenant security deposits	74,053	-	74,053
100	Total cash	<u>4,074,895</u>	<u>480,311</u>	<u>4,555,206</u>
Accounts and notes receivables:				
124	Accounts receivable - Other Governmental	-	31,517	31,517
128	Fraud Recovery	-	-	-
126	Accounts receivable - tenants - dwelling rents	9,662	-	9,662
126.1	Allowance for doubtful accounts - dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	<u>2,250</u>	<u>31,517</u>	<u>33,767</u>
Current investments:				
143	Inventories	123,845	-	123,845
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total current investments	<u>122,384</u>	<u>-</u>	<u>122,384</u>
150	TOTAL CURRENT ASSETS	<u>4,199,529</u>	<u>511,828</u>	<u>4,711,357</u>
NONCURRENT ASSETS:				
Fixed assets:				
161	Land	2,025,036	-	2,025,036
162	Building	22,802,071	-	22,802,071
164	Furniture, Equipment, & Machinery -Administration	572,343	-	572,343
166	Accumulated depreciation	(14,635,715)	-	(14,635,715)
167	Construction in progress	83,255	-	83,255
160	Total fixed assets, net of accumulated depreciation	<u>10,846,990</u>	<u>-</u>	<u>10,846,990</u>
180	TOTAL NONCURRENT ASSETS	<u>10,846,990</u>	<u>-</u>	<u>10,846,990</u>
190	TOTAL ASSETS	<u>\$ 15,046,519</u>	<u>\$ 511,828</u>	<u>\$ 15,558,347</u>
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 84,059	\$ 46,942	131,001
321	Accrued wage/payroll taxes payable	21,623	-	21,623
322	Accrued compensated absences - current portion	58,090	-	58,090
341	Tenant security deposits	73,545	-	73,545
345	Other current liabilities	939,320	459,425	1,398,745
310	TOTAL CURRENT LIABILITIES	<u>1,176,637</u>	<u>506,367</u>	<u>1,683,004</u>
354	Accrued compensated absences - non-current portion	13,615	-	13,615
357	Accrued pension and OPEB liabilities	504,893	-	504,893
350	TOTAL NON-CURRENT LIABILITIES	<u>518,508</u>	<u>-</u>	<u>518,508</u>
300	TOTAL LIABILITIES	<u>1,695,145</u>	<u>506,367</u>	<u>2,201,512</u>
EQUITY:				
508	Investment in general fixed assets	10,846,990	-	10,846,990
511.4	Restricted fund balance	-	5,461	5,461
512	Undesignated fund balance/retained earnings	2,504,384	-	2,504,384
513	TOTAL EQUITY	<u>13,351,374</u>	<u>5,461</u>	<u>13,356,835</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 15,046,519</u>	<u>\$ 511,828</u>	<u>\$ 15,558,347</u>

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 881,681	\$ -	\$ 881,681
705	Total tenant revenue	881,681	-	881,681
Other revenues:				
706	HUD PHA grants	1,231,670	-	1,231,670
706.1	Capital Grants	-	1,214,597	1,214,597
711	Investment income - unrestricted	1,911	-	1,911
715	Other revenue	223,364	20,886	244,250
	Total other revenue	1,456,945	1,235,483	2,692,428
700	TOTAL REVENUE	2,338,626	1,235,483	3,574,109
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	288,816	-	288,816
915	Compensated Absences	6,920	-	6,920
915	Employee benefit contributions - administrative	245,070	-	245,070
919	Other operating - administrative	67,755	45,147	112,902
Tenant services:				
924	Tenant services-other	35	-	35
Utilities:				
931	Water	128,006	-	128,006
932	Electricity	35,941	-	35,941
933	Gas	6,900	-	6,900
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	410,290	-	410,290
942	Ordinary maintenance and operations - materials	216,935	-	216,935
943	Ordinary maintenance and operations - contract costs	647,975	-	647,975
945	Employee benefit contributions - ordinary maintenance	174,065	-	174,065
General expenses:				
961	Insurance premiums	73,518	-	73,518
962	Other general expenses	2,394	-	2,394
964	Bad debt - tenant rents	31,955	-	31,955
969	TOTAL OPERATING EXPENSES	2,336,575	45,147	2,381,722
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	2,051	1,190,336	1,192,387
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	50,776	1,184,875	1,235,651
974	Depreciation Expense	629,044	-	629,044
900	TOTAL EXPENSES	3,016,395	1,230,022	4,246,417
1003	Operating transfers from/to Primary Government	-	-	-
1000	EXCESS OF REVENUE OVER EXPENDITURES	(677,769)	5,461	(672,308)
1104	Capital Outlays Enterprise Fund	2,077,462	-	2,077,462
1103	BEGINNING EQUITY	11,951,681	-	11,951,681
	ENDING EQUITY	\$ 13,351,374	\$ 5,461	\$ 13,356,835

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,109,416	\$ 2,109,416	\$ 2,152,429	\$ 43,013
OPERATING EXPENSES				
Personnel	1,132,189	1,132,189	1,091,935	40,254
Drainage maintenance	335,700	344,620	265,418	79,202
Indirect costs	106,880	106,880	97,406	9,474
Professional services	81,500	135,386	81,998	53,388
Contracted services	76,000	86,899	84,805	2,094
Office rent	56,596	56,096	54,936	1,160
Other	88,652	110,091	67,058	43,033
Total operating expenses	1,877,517	1,972,161	1,743,556	228,605
OPERATING INCOME	231,899	137,255	408,873	271,618
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	-	7,200	-	(7,200)
Interest on investments	900	900	1,909	1,009
Capital outlay	(825,000)	(823,000)	(114,413)	708,587
Appropriated fund balance	586,401	671,845	-	(671,845)
Total nonoperating revenues (expenses), net	(237,699)	(143,055)	(112,504)	30,551
INCOME (LOSS) BEFORE TRANSFERS	(5,800)	(5,800)	296,369	302,169
TRANSFERS				
Transfers In	5,800	5,800	10,774	4,974
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	307,143	\$ 307,143
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			114,413	
Depreciation and amortization			(55,814)	
Change in net position			\$ 365,742	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,565,000	\$ 1,565,000	\$ 1,565,000	\$ -
OPERATING EXPENSES				
Operations	10,000	12,330	15,654	(3,324)
OPERATING INCOME	1,555,000	1,552,670	1,549,346	(3,324)
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,200	1,200	4,566	3,366
Capital outlay	(872,000)	(1,144,595)	(947,881)	196,714
Debt service	(955,948)	(1,144,838)	(1,144,837)	1
Proceeds from sale of capital assets	30,000	30,000	151,873	121,873
Issuance of installment notes	872,000	872,000	872,000	-
Contribution to reserve	(630,252)	(439,032)	-	439,032
Appropriated fund balance	-	272,595	-	(272,595)
Total nonoperating revenues (expenses), net	(1,555,000)	(1,552,670)	(1,064,279)	488,391
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	485,067	\$ 485,067
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,279,980)	
Capital outlay			947,881	
Debt service principal			1,048,891	
Proceeds from installment notes			(872,000)	
Change in net position			\$ 329,859	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,238,500	\$ 1,238,500	\$ 1,180,573	\$ (57,927)
OPERATING EXPENSES				
Personnel	548,975	548,975	585,306	(36,331)
Operations	672,993	672,993	729,138	(56,145)
Total operating expenses	1,221,968	1,221,968	1,314,444	(92,476)
OPERATING INCOME (LOSS)	<u>16,532</u>	<u>16,532</u>	<u>(133,871)</u>	<u>(150,403)</u>
NONOPERATING REVENUES (EXPENSES)				
Insurance recovery	20,000	20,000	42,817	22,817
Interest on investments	-	-	500	500
Contribution to reserve	(36,532)	(36,532)	-	36,532
Total nonoperating revenues (expenses), net	(16,532)	(16,532)	43,317	59,849
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90,554)</u>	<u>\$ (90,554)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,165)	
Change in net position			<u>\$ (91,719)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 160,095	\$ 160,095	\$ 160,095	\$ -
OPERATING EXPENSES				
Operations	160,095	160,095	150,497	9,598
OPERATING INCOME	-	-	9,598	9,598
NONOPERATING REVENUES				
Interest on investments	-	-	549	549
Proceeds from sale of capital assets	-	-	5,386	5,386
Total nonoperating revenues	-	-	5,935	5,935
Change in net position	\$ -	\$ -	\$ 15,533	\$ 15,533

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TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

Fiscal Year	Uncollected Balance 07/01/13	Additions	Collections and Credits	Uncollected Balance 06/30/14
2013-2014	\$ -	\$ 38,361,125	a \$ 38,115,148	b \$ 245,977
2012-2013	275,069	-	193,439	81,630
2011-2012	81,946	-	34,227	47,719
2011-prior	<u>223,480</u>	-	<u>17,436</u>	<u>206,044</u>
Totals	<u>\$ 580,495</u>		<u>\$ 38,360,250</u>	581,370
Less: allowance for uncollectible accounts				371,785
Ad valorem taxes receivable-net				\$ 209,585
Reconciliation with revenues:				
Ad Valorem taxes - General Fund				\$ 28,917,016
Ad Valorem taxes - Debt Fund				5,586,519
Ad Valorem taxes - Transit Fund				<u>3,794,976</u>
Total Ad Valorem taxes				\$ 38,298,511
Reconciling item				
Taxes written off				61,739
Total collections				\$ 38,360,250

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

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30,2014

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property at current rate	\$ 7,416,124,439	0.514	\$ 38,128,306	\$ 36,125,685	\$ 2,002,620
Motor vehicles at prior year's rate	47,129,466	0.494	\$ 232,820	-	232,820
Total property valuation	\$ 7,463,253,905		\$ 38,361,125 a	\$ 36,125,685	\$ 2,235,440
Uncollected taxes at June 30, 2014			245,977 c	177,387	68,590
Current year's taxes collected			\$ 38,115,148 b	\$ 35,948,298	\$ 2,166,850
Current levy collection percentage			99.36%	99.51%	96.93%

STATISTICAL SECTION

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

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

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

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

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

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

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

Town of Chapel Hill
Net Position by Component,
Last Ten 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>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 53,543,531	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330	\$ 61,447,706	\$ 65,504,936	\$ 77,405,641	\$ 74,391,633	\$ 71,955,972	\$ 73,079,773
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495
Unrestricted	15,075,313	19,554,289	23,279,530	24,337,458	35,270,865	23,907,746	12,887,944	(5,770,881)	1,169,561	(253,331)
Total governmental activities net assets	\$ 74,193,467	\$ 76,657,648	\$ 84,486,258	\$ 94,982,354	\$ 98,197,260	\$ 99,631,472	\$ 101,392,946	\$ 101,050,956	\$ 94,801,372	\$ 94,706,937
Business-type activities										
Net investment in capital assets	\$ 13,888,036	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462	\$ 48,230,110	\$ 50,829,655	\$ 53,612,945	\$ 50,976,684
Unrestricted	5,267,602	8,403,465	8,036,693	9,767,773	10,915,522	12,777,277	12,762,741	4,652,158	7,003,344	8,802,655
Total business-type activities net assets	\$ 19,155,638	\$ 39,565,909	\$ 47,883,552	\$ 56,905,278	\$ 60,928,891	\$ 64,534,739	\$ 60,992,851	\$ 55,481,813	\$ 60,616,289	\$ 59,779,339
Primary government										
Net investment in capital assets	\$ 67,431,567	\$ 86,969,311	\$ 99,836,188	\$ 116,120,835	\$ 111,461,075	\$ 117,262,398	\$ 125,635,751	\$ 125,221,288	\$ 125,568,917	\$ 124,056,457
Restricted	5,574,623	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495
Unrestricted	20,342,915	27,957,754	31,316,223	34,105,231	46,186,387	36,685,023	25,650,685	(1,118,723)	8,172,905	8,549,324
Total primary government net assets	\$ 93,349,105	\$ 116,223,557	\$ 132,369,810	\$ 151,887,632	\$ 159,126,151	\$ 164,166,211	\$ 162,385,797	\$ 156,532,769	\$ 155,417,661	\$ 154,486,276
Component unit										
Invested in capital assets, net of related debt	\$ 137,441,321	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716	\$ 190,756,445	\$ 190,756,445	\$ 206,109,733	\$ 219,522,714
Restricted	19,114,903	1,925,585	9,405,757	1,322,469	1,232,718	1,253,614	98,616	98,616	151,600	187,910
Unrestricted	7,373,853	6,611,972	6,453,532	5,993,719	15,140,975	21,113,133	26,865,314	26,865,314	25,876,182	18,686,692
Total component unit net assets	\$ 163,930,077	\$ 169,351,312	\$ 177,671,404	\$ 184,603,565	\$ 200,839,735	\$ 210,473,463	\$ 217,720,375	\$ 217,720,375	\$ 232,137,515	\$ 238,397,316

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

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

Table 2

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:										
Expenses										
General government	\$ 4,113,954	\$ 4,327,313	\$ 5,780,346	\$ 6,528,356	\$ 7,750,437	\$ 7,447,434	\$ 8,672,259	\$ 9,246,224	\$ 10,074,521	\$ 10,010,914
Environment and development	16,536,622	21,954,945	25,719,997	29,260,757	24,840,378	22,960,472	18,613,025	21,804,182	32,680,272	23,481,833
Public safety	15,501,769	17,003,191	17,844,886	18,593,745	19,536,555	19,932,175	20,363,725	21,140,258	21,357,911	21,303,785
Leisure activities	4,694,967	4,947,783	4,977,126	5,649,567	8,668,206	9,685,124	9,725,448	10,245,527	11,191,585	11,131,488
Nondepartmental	1,324,805	1,475,398	-	-	-	-	-	-	-	-
Interest	884,070	887,200	2,008,005	2,210,521	1,969,585	1,991,035	2,046,519	2,453,129	2,880,837	2,300,475
Total expenses	43,056,187	50,595,830	56,330,360	62,242,946	62,765,161	62,016,240	59,420,976	64,889,320	78,185,126	68,228,495
Program Revenues										
Charges for services:										
General government	\$ 607,385	\$ 564,548	\$ 2,538,610	\$ 1,642,521	\$ 1,670,604	\$ 1,741,760	\$ 1,774,913	\$ 1,731,073	\$ 1,707,833	\$ 1,874,861
Environment and development	3,607,851	3,225,722	1,147,843	3,167,844	3,059,049	2,098,051	2,020,263	2,172,242	2,801,220	2,960,803
Public safety	70,046	65,244	76,287	99,946	110,137	130,338	117,747	93,583	100,112	368,938
Leisure activities	603,228	655,976	642,478	587,957	786,346	905,626	952,478	952,023	1,031,436	1,044,868
Operating grants and contributions:										
General government	-	-	-	-	-	-	63,536	-	-	-
Environment and development	5,973,016	13,255,667	3,347,410	3,496,677	2,516,767	2,317,442	2,357,451	2,204,526	2,474,971	2,888,753
Public safety	1,183,619	2,190,476	1,318,224	1,700,774	1,691,179	1,842,949	1,452,984	1,172,182	1,165,774	1,374,748
Leisure activities	747,380	333,346	291,129	377,861	384,824	375,738	372,786	462,978	531,466	595,494
Capital grants and contributions:										
Environment and development	-	913,613	9,154,416	16,641,248	8,331,927	6,797,577	3,169,734	2,942,009	10,246,880	2,671,685
Leisure activities	-	-	-	-	-	-	85,677	182,506	182,507	797,386
Total program revenues	12,792,525	21,204,592	18,516,397	27,714,828	18,550,833	16,209,481	12,367,569	11,913,122	20,242,199	14,577,536
Total governmental activities net program expense	\$ (30,263,662)	\$ (29,391,238)	\$ (37,813,963)	\$ (34,528,118)	\$ (44,214,328)	\$ (45,806,759)	\$ (47,053,407)	\$ (52,976,198)	\$ (57,942,927)	\$ (53,650,959)
General revenues and other changes in net position										
Property taxes	\$ 23,081,521	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703	\$ 31,162,920	\$ 32,171,735	\$ 32,612,118	\$ 33,083,532	\$ 33,306,516	\$ 34,876,543
Sales tax	8,456,040	9,138,060	9,594,569	9,758,126	9,033,512	8,765,035	8,941,463	9,765,972	10,049,247	10,548,129
Occupancy tax	675,295	783,509	991,081	985,069	891,857	806,686	872,115	956,496	981,716	1,044,856
Other taxes	539,733	582,638	368,073	141,157	112,700	41,173	51,708	56,452	58,492	59,698
Grants and contributions not restricted										
Investment earnings	2,478,791	2,559,529	2,935,113	3,537,017	3,831,599	3,708,032	3,906,365	3,914,798	3,990,640	4,000,460
Miscellaneous	442,649	1,689,568	1,670,377	1,112,630	261,025	88,220	71,324	34,258	91,575	34,491
Miscellaneous	1,147,972	1,695,701	1,361,301	1,476,357	1,191,127	1,293,759	2,133,013	3,342,645	2,486,465	1,792,297
Transfers	991,713	586,538	2,619,973	230,155	944,494	366,331	226,775	1,480,055	728,692	1,200,050
Total general revenues and other changes in net position	37,813,714	42,302,790	45,642,573	45,024,214	47,429,234	47,240,971	48,814,881	52,634,208	51,693,343	53,556,524
Total governmental activities changes in net position	\$ 7,550,052	\$ 12,911,552	\$ 7,828,610	\$ 10,496,096	\$ 3,214,906	\$ 1,434,212	\$ 1,761,474	\$ (341,990)	\$ (6,249,584)	\$ (94,435)

Continued

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

Table 2

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities:										
Expenses										
Transportation	\$ 12,457,941	\$ 13,280,263	\$ 14,881,026	\$ 16,215,262	\$ 18,366,495	\$ 19,829,286	\$ 20,945,401	\$ 21,454,457	\$ 21,819,683	\$ 21,286,421
Parking	1,614,306	1,590,227	1,585,035	1,612,632	1,736,772	1,776,168	1,785,780	2,212,712	1,940,918	2,101,226
Housing	-	1,119,963	1,209,350	2,203,200	2,276,917	2,057,066	1,982,144	2,204,546	2,380,410	3,016,395
Stormwater	1,065,666	2,257,924	2,263,074	1,391,604	1,635,510	1,618,926	1,739,239	1,825,682	1,765,150	1,799,370
Total expenses	<u>15,137,913</u>	<u>18,248,377</u>	<u>19,938,485</u>	<u>21,422,698</u>	<u>24,015,694</u>	<u>25,281,446</u>	<u>26,452,564</u>	<u>27,697,397</u>	<u>27,906,161</u>	<u>28,203,412</u>
Program Revenues										
Charges for services:										
Transportation	\$ 549,673	\$ 608,420	\$ 694,445	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432	\$ 1,359,239	\$ 1,354,987	\$ 1,565,824
Parking	1,933,579	2,080,546	2,138,673	2,102,350	2,043,999	1,921,724	1,879,797	2,071,035	2,125,253	2,395,883
Housing	-	1,651,616	417,725	453,821	415,568	402,701	507,305	618,132	800,165	882,363
Stormwater	1,708,292	379,582	1,741,379	1,711,271	1,740,119	1,768,208	1,841,152	1,814,911	1,932,991	2,152,429
Operating grants and contributions:										
Transportation	9,551,828	9,859,005	10,609,529	11,592,845	12,915,589	13,909,345	12,942,449	10,829,469	15,385,447	13,985,562
Housing	-	1,040,017	1,080,526	1,155,687	1,371,614	1,491,477	1,559,586	1,319,472	1,150,068	1,231,670
Stormwater	-	-	-	-	15,295	-	-	-	-	-
Capital grants and contributions:										
Transportation	1,217,846	10,320,462	11,150,111	9,927,751	6,845,483	5,665,439	180,119	1,804,533	8,952,435	176,358
Housing	-	-	-	-	-	-	19,877	1,079,687	-	2,077,462
Total program revenues	<u>14,961,218</u>	<u>25,939,648</u>	<u>27,832,388</u>	<u>27,556,632</u>	<u>26,082,809</u>	<u>26,287,922</u>	<u>20,026,717</u>	<u>20,896,478</u>	<u>31,701,346</u>	<u>24,467,551</u>
Total business-type activities net program expense	<u>\$ (176,695)</u>	<u>\$ 7,691,271</u>	<u>\$ 7,893,903</u>	<u>\$ 6,133,934</u>	<u>\$ 2,067,115</u>	<u>\$ 1,006,476</u>	<u>\$ (6,425,847)</u>	<u>\$ (6,800,919)</u>	<u>\$ 3,795,185</u>	<u>\$ (3,735,861)</u>
General revenues and other changes in net position										
Property taxes	\$ 2,623,385	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787	\$ 2,801,353	\$ 2,890,870	\$ 2,929,657	\$ 2,965,320	\$ 2,987,412	\$ 3,794,976
Investment earnings	97,458	281,467	426,554	270,583	66,369	36,054	25,411	8,709	10,765	15,644
Miscellaneous	-	28,786	(6,567)	52,577	33,270	38,779	155,666	(204,093)	(930,194)	288,341
Transfers	(991,713)	(586,538)	(2,619,973)	(230,155)	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)
Total general revenues and other changes in net position	<u>1,729,130</u>	<u>2,271,629</u>	<u>423,740</u>	<u>2,887,792</u>	<u>1,956,498</u>	<u>2,599,372</u>	<u>2,883,959</u>	<u>1,289,881</u>	<u>1,339,291</u>	<u>2,898,911</u>
Total business-type activities changes in net position	<u>\$ 1,552,435</u>	<u>\$ 9,962,900</u>	<u>\$ 8,317,643</u>	<u>\$ 9,021,726</u>	<u>\$ 4,023,613</u>	<u>\$ 3,605,848</u>	<u>\$ (3,541,888)</u>	<u>\$ (5,511,038)</u>	<u>\$ 5,134,476</u>	<u>\$ (836,950)</u>
Total primary government changes in net position	<u>\$ 9,102,487</u>	<u>\$ 22,874,452</u>	<u>\$ 16,146,253</u>	<u>\$ 19,517,822</u>	<u>\$ 7,238,519</u>	<u>\$ 5,040,060</u>	<u>\$ (1,780,414)</u>	<u>\$ (5,853,028)</u>	<u>\$ (1,115,108)</u>	<u>\$ (931,385)</u>

Continued

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

Table 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Component unit activities:										
Expenses	\$ 24,142,717	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597	\$ 31,801,115	\$ 31,840,832	\$ 31,801,115	\$ 31,664,425	\$ 31,648,089
Program Revenues										
Charges for services	21,891,667	24,431,382	25,411,160	28,794,093	29,537,290	36,489,149	36,003,830	36,489,149	35,457,613	35,843,032
Capital grants and contributions	2,566,129	3,459,835	7,425,786	3,316,663	14,493,988	2,467,785	1,269,560	2,467,785	420,251	849,325
Total component unit revenues	<u>24,457,796</u>	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>	<u>44,031,278</u>	<u>38,956,934</u>	<u>37,273,390</u>	<u>38,956,934</u>	<u>35,877,864</u>	<u>36,692,357</u>
Total component unit net (expense)/revenue	<u>\$ 315,079</u>	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>	<u>\$ 7,155,819</u>	<u>\$ 5,432,558</u>	<u>\$ 7,155,819</u>	<u>\$ 4,213,439</u>	<u>\$ 5,044,268</u>
General revenues and other changes in net position										
Investment earnings	821,194	742,010	-	584,031	1,918,195	17,964	29,261	17,964	15,664	14,755
Miscellaneous	1,872,820	2,308,651	-	1,998,280	-	1,918,195	1,785,093	1,918,195	1,885,640	1,200,778
Total general revenues and other changes in net position	<u>2,694,014</u>	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>1,918,195</u>	<u>1,936,159</u>	<u>1,814,354</u>	<u>1,936,159</u>	<u>1,901,304</u>	<u>1,215,533</u>
Total component unit activities changes in net position	<u>\$ 3,009,093</u>	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 15,569,876</u>	<u>\$ 9,091,978</u>	<u>\$ 7,246,912</u>	<u>\$ 9,091,978</u>	<u>\$ 6,114,743</u>	<u>\$ 6,259,801</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 Five Fiscal Years
post-GASB 54
(modified accrual basis of accounting)

Table 3a

	Fiscal Year				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund					
Nonspendable					
Inventories	3,376	3,285	3,341	2,698	2,670
Prepaid expenses	1,012	4,702	40,844	19,863	350
Restricted					
Stabilization by State Statute	5,838,176	5,074,720	6,271,859	6,697,509	9,994,453
Employee appreciation	101,136	99,559	97,890	96,179	94,489
Parks capital projects	-	75,332	28,776	28,776	139,757
Streets capital projects	187,815	143,520	110,310	122,215	213,788
Public safety	256,141	165,278	158,867	181,091	372,598
Library	16,459	-	-	-	-
Committed					
Economic development	-	-	-	121,811	72,513
Assigned					
Subsequent years' expenditures	5,064,230	1,121,605	1,528,622	1,986,150	2,654,093
Other post employment benefits	-	400,000	400,000	1,200,000	1,200,000
Workforce development	-	-	-	60,566	89,750
Comprehensive plan	157,874	103,291	99,443	-	-
Economic development	-	-	157,246	126,927	161,223
Unassigned	9,926,083	13,236,669	13,357,103	12,883,997	11,143,807
Total General Fund	\$ 21,552,302	\$ 20,427,961	\$ 22,254,301	\$ 23,527,782	\$ 26,139,491
All Other Governmental Funds					
Nonspendable					
Inventories	16,538	16,538	16,538	16,538	16,538
Prepaid expenses	153	-	12,155	-	6,110
Restricted					
Stabilization by State Statute	672,532	4,889,823	25,666,721	11,300,288	8,941,889
Parks capital projects	1,360,140	4,953,598	4,591,757	5,156,807	3,237,033
Streets capital projects	2,024,909	4,384,746	3,485,868	3,455,873	2,546,208
Municipal buildings projects	782,318	-	7,532,019	1,887,561	1,605,667
Public housing	104,905	755,136	104,905	113,836	594,147
Public safety	55,284	18,628	8,180	8,179	8,180
Transit capital purchases	-	-	1,067,500	-	60,529
Infrastructure capital projects	-	-	-	-	214,756
Development	-	-	2,844	26,874	-
Library	1,452,361	15,791,379	10,536,981	740,208	443,476
Committed					
Debt service payments	1,546,092	3,009,079	6,281,023	5,340,180	4,803,926
Municipal buildings projects	-	-	-	-	475,687
Infrastructure capital projects	244,167	214,031	799,493	241,783	-
Technology projects	-	-	-	-	776,339
Fire capital projects	-	-	-	844,189	20,353
Public housing	377,579	787,943	810,388	336,614	353,843
Economic development	38,118	19,856	106,583	160,896	85,117
Assigned					
Subsequent year's expenditures	960	123,660	92,394	12,151	28,841
Parks capital projects	262,938	-	44,254	91,388	85,538
Streets capital projects	518,091	292,169	88,000	-	7,209
Municipal buildings projects	228,558	593,266	485,027	583,292	318,978
Technology projects	447,842	-	-	68,768	4,464
Comprehensive plan	354,496	-	-	-	-
Unassigned	-	(3,314,885)	(24,960,211)	(10,121,221)	(8,047,445)
Total other governmental funds	\$ 10,487,981	\$ 32,534,967	\$ 36,772,419	\$ 20,264,204	\$ 16,587,383

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

Table 3b

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved for:					
State statute	\$ 3,250,131	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811
Encumbrances	1,209,013	1,297,402	1,272,671	1,524,640	1,079,576
Inventories	1,472	1,928	2,728	2,470	2,599
Capital improvements	531,342	381,258	231,128	353,915	364,815
Prepaid items	-	-	-	355,140	-
Other	204,917	212,620	323,997	332,888	321,798
Total reserved	<u>5,196,875</u>	<u>5,805,272</u>	<u>7,060,538</u>	<u>9,378,441</u>	<u>6,468,599</u>
Unreserved:					
Designated for subsequent year's expenditures	1,514,993	1,879,000	4,315,000	2,743,874	3,134,373
Undesignated	<u>8,263,350</u>	<u>9,911,161</u>	<u>6,515,807</u>	<u>7,773,811</u>	<u>11,690,555</u>
Total General Fund	<u>\$ 14,975,218</u>	<u>\$ 17,595,433</u>	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>
All Other Governmental Funds					
Reserved for:					
Capital improvements	\$ 30,287,235	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692
State Statute	814,273	2,069,240	2,058,864	272,580	325,537
Encumbrances	656,035	1,111,691	871,343	408,663	373,427
Inventories	157,223	-	-	16,538	16,538
Interest subsidies	293,649	68,108	129,523	-	-
Other	236,952	394,878	435,030	1,153,789	467,125
Debt service	455,089	635,619	641,042	-	1,043,175
Total reserved	<u>32,900,456</u>	<u>22,052,312</u>	<u>18,204,521</u>	<u>9,026,979</u>	<u>8,708,494</u>
Unreserved, reported in:					
Special revenue funds	688,286	133,262	39,047	608,640	381,005
Capital projects funds	<u>(279,758)</u>	<u>(1,458,927)</u>	<u>(1,669,821)</u>	<u>1,978,767</u>	<u>2,190,234</u>
Total all other governmental funds	<u>\$ 33,308,984</u>	<u>\$ 20,726,647</u>	<u>\$ 16,573,747</u>	<u>\$ 11,614,386</u>	<u>\$ 11,279,733</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Taxes	\$ 32,782,589	\$ 35,771,454	\$ 37,055,809	\$ 38,668,055
Intergovernmental	10,382,806	19,252,631	17,046,292	25,753,577
Charges for services	2,822,100	2,617,171	2,503,992	2,826,213
Licenses and permits	1,512,168	1,652,945	1,590,653	1,721,627
Interest	442,649	1,689,568	1,670,377	1,112,630
Other	1,702,214	1,937,075	1,654,137	2,426,785
Total Revenues	<u>49,644,526</u>	<u>62,920,844</u>	<u>61,521,260</u>	<u>72,508,887</u>
Expenditures				
General government	3,763,510	4,079,736	5,634,423	6,190,609
Environment and development	18,965,051	25,761,076	27,478,666	25,779,963
Public safety	15,342,852	16,900,363	17,666,485	18,567,074
Leisure activities	4,118,714	4,282,116	4,224,267	4,897,425
Nondepartmental	1,324,805	1,475,398	-	-
Capital projects	4,672,085	16,676,455	15,964,112	14,012,030
Debt Service:				
Principal	1,675,000	2,180,000	3,090,000	4,015,000
Interest	884,070	887,200	2,008,005	2,210,521
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>50,746,087</u>	<u>72,242,344</u>	<u>76,065,958</u>	<u>75,672,622</u>
Excess of revenues over (under) expenditures	<u>(1,101,561)</u>	<u>(9,321,500)</u>	<u>(14,544,698)</u>	<u>(3,163,735)</u>
Other Financing Sources (Uses)				
Transfers in	4,981,814	7,450,039	17,737	8,473,343
Transfers out	(3,990,101)	(6,863,501)	10,878,467	(8,264,188)
Proceeds from bonds	30,000,000	-	4,967,737	-
Advance refunding	-	-	-	-
Premium on debt	-	-	-	-
Proceeds from installment notes	966,733	-	3,100,000	-
Total other financing sources (uses)	<u>31,958,446</u>	<u>586,538</u>	<u>18,963,941</u>	<u>209,155</u>
Net change in fund balances	<u>\$ 30,856,885</u>	<u>\$ (8,734,962)</u>	<u>\$ 4,419,243</u>	<u>\$ (2,954,580)</u>
Debt service as a percentage of non capital expenditures	6.34%	6.01%	8.78%	10.02%

Table 4

Fiscal Year									
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>				
\$ 41,200,989	\$ 41,784,629	\$ 42,477,404	\$ 43,862,452	\$ 44,395,971	\$ 46,529,226				
16,756,296	15,041,738	11,408,533	10,878,999	18,592,238	12,328,526				
3,216,330	2,832,317	3,189,110	2,892,632	3,133,935	3,435,270				
2,200,422	1,765,769	1,591,840	1,917,775	2,369,155	2,683,188				
261,025	88,220	71,324	34,258	91,575	34,491				
1,400,511	1,304,865	1,685,586	1,342,021	2,623,976	1,923,309				
<u>65,035,573</u>	<u>62,817,538</u>	<u>60,423,797</u>	<u>60,928,137</u>	<u>71,206,850</u>	<u>66,934,010</u>				
7,272,596	7,337,428	8,280,508	8,838,537	9,493,289	9,541,046				
21,590,608	20,858,543	13,970,608	13,666,918	14,398,580	14,745,265				
18,686,914	19,082,389	19,733,207	19,323,824	19,547,468	19,946,007				
7,398,605	8,038,538	8,051,450	8,094,096	8,719,780	8,449,100				
-	-	-	-	-	-				
3,836,343	2,778,610	5,102,513	11,116,359	29,185,322	9,313,279				
4,000,000	8,520,000	3,485,000	4,490,000	4,995,000	4,904,000				
1,969,585	1,991,035	1,996,991	2,271,774	2,294,854	2,300,475				
-	-	-	-	344,867	-				
-	-	49,528	181,355	241,116	-				
<u>64,754,651</u>	<u>68,606,543</u>	<u>60,669,805</u>	<u>67,982,863</u>	<u>89,220,276</u>	<u>69,199,172</u>				
280,922	(5,789,005)	(246,008)	(7,054,726)	(18,013,426)	(2,265,162)				
2,573,984	2,047,910	2,157,492	2,237,579	3,348,562	3,744,153				
(1,792,158)	(1,548,465)	(1,930,717)	(758,199)	(2,619,870)	(2,544,103)				
-	4,490,000	20,941,878	33,455,000	1,700,000	-				
-	-	-	(26,499,557)	3,050,000	-				
-	266,583	-	4,683,695	(2,700,000)	-				
-	-	-	-	-	-				
<u>781,826</u>	<u>5,256,028</u>	<u>21,168,653</u>	<u>13,118,518</u>	<u>2,778,692</u>	<u>1,200,050</u>				
<u>\$ 1,062,748</u>	<u>\$ (532,977)</u>	<u>\$ 20,922,645</u>	<u>\$ 6,063,792</u>	<u>\$ (15,234,734)</u>	<u>\$ (1,065,112)</u>				
9.75%	16.17%	9.72%	10.94%	10.25%	11.31%				

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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>
2005	23,081,521	8,456,040	675,295	569,733	32,782,589
2006	25,267,247	9,138,060	783,509	582,638	35,771,454
2007	26,102,086	9,594,569	991,081	368,073	37,055,809
2008	27,783,706	9,758,126	985,069	141,157	38,668,058
2009	31,162,920	9,033,512	891,857	112,700	41,200,989
2010	32,171,735	8,765,035	806,686	41,173	41,784,629
2011	32,612,118	8,941,463	872,115	51,708	42,477,404
2012	33,083,532	9,765,972	956,496	56,452	43,862,452
2013	33,306,516	10,049,247	981,716	58,492	44,395,971
2014	34,876,543	10,548,129	1,044,856	59,698	46,529,226

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
2005		*	*	3,918,233,860	482,128,300
2006	(1)	3,956,681,069	783,355,893	4,740,036,962	498,524,879
2007		3,640,445,489	1,249,997,134	4,890,442,623	520,961,320
2008		3,825,506,198	1,313,540,280	5,139,046,478	460,567,284
2009		3,945,477,182	1,354,733,971	5,300,211,153	471,708,077
2010	(1)	4,855,643,567	1,667,252,143	6,522,895,710	455,030,840
2011		5,133,443,183	1,762,638,471	6,896,081,654	452,486,487
2012		*	*	6,730,528,993	471,001,413
2013		*	*	6,701,285,738	536,958,587
2014		*	*	6,823,181,920	573,309,679

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

Notes:

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

Table 6

Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
(3)	(4)	(5)	(6)	(7)
57,774,008	4,458,136,168	0.575	4,664,298,146	95.58%
60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
61,554,945	5,472,958,888	0.522	6,582,822,815	83.14%
60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%
67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%
62,491,249	7,411,059,390	0.494	7,477,610,120	99.11%
63,232,013	7,264,762,419	0.494	7,200,106,033	99.11%
66,253,143	7,304,497,468	0.494	7,583,529,271	103.82%
66,762,306	7,463,253,905	0.514	7,188,606,161	96.32%

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

Year Taxes Payable	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Chapel Hill within Orange County:		*		
<u>Town Direct Rates:</u>				
General Fund	0.516	0.474	0.474	0.474
Transit	0.059	0.048	0.048	0.048
Debt Service **	-	-	-	-
Total outside Downtown Service District	0.575	0.522	0.522	0.522
Downtown Service District	0.062	0.053	0.090	0.090
Total Direct Rates	0.637	0.575	0.612	0.612
<u>Overlapping Rates:</u>				
Orange County	0.880	0.843	0.903	0.950
Chapel Hill - Carrboro School District	0.200	0.183	0.189	0.204
Total Overlapping Rates	1.080	1.026	1.092	1.154
Total Direct and Overlapping Rates	1.717	1.601	1.704	1.766
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.516	0.474	0.474	0.474
Transit	0.059	0.048	0.048	0.048
Debt Service	-	-	-	-
Total Direct Rates	0.575	0.522	0.522	0.522
<u>Overlapping Rates:</u>				
Durham County	0.790	0.809	0.809	0.834
Total Direct and Overlapping rates	1.365	1.331	1.331	1.356

* Revaluation year

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

Source: North Carolina State Department of Revenue.

Table 7

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	*				
0.423	0.360	0.360	0.378	0.378	0.388
0.048	0.041	0.041	0.041	0.041	0.051
0.110	0.093	0.093	0.075	0.075	0.075
0.581	0.494	0.494	0.494	0.494	0.514
0.071	0.071	0.071	0.071	0.071	0.071
0.652	0.565	0.565	0.565	0.565	0.585
0.998	0.858	0.858	0.858	0.858	0.858
0.230	0.188	0.188	0.188	0.188	0.208
1.228	1.046	1.046	1.046	1.046	1.066
1.880	1.611	1.611	1.611	1.611	1.651
0.423	0.360	0.360	0.378	0.378	0.388
0.048	0.041	0.041	0.041	0.041	0.051
0.110	0.093	0.093	0.075	0.075	0.075
0.581	0.494	0.494	0.494	0.494	0.514
0.708	0.690	0.746	0.746	0.744	0.744
1.289	1.184	1.240	1.240	1.238	1.258

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

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

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

Totals

Total assessed valuation

Sources:

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

Table 8

Fiscal Year 2014			Fiscal Year 2005		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
\$ 47,524,400	1	0.64%			
38,627,273	2	0.52%			
36,975,559	3	0.50%	20,510,406	9	0.46%
35,399,116	4	0.47%	25,869,599	5	0.58%
35,006,817	5	0.47%			
34,144,411	6	0.46%	31,804,992	4	0.71%
33,779,800	7	0.45%			
27,747,385	8	0.37%	24,273,824	7	0.54%
27,327,293	9	0.37%			
25,076,702	10	0.34%			
			39,150,221	1	0.88%
			35,289,153	2	0.79%
			32,282,778	3	0.72%
			24,913,958	6	0.56%
			23,616,296	8	0.53%
			18,896,122	10	0.42%
<u>\$ 341,608,756</u>		<u>4.58%</u>	<u>\$ 276,607,349</u>		<u>6.20%</u>
<u>\$ 7,463,253,905</u>			<u>\$ 4,458,136,168</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	
2005	25,615,621	25,480,324	99.47%	110,800	25,591,124	99.90%	*
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	*
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	*
2008	30,412,485	30,240,782	99.44%	145,619	30,386,401	99.91%	(1) 115,177
2009	33,972,050	33,779,684	99.43%	139,190	33,918,874	99.84%	53,176
2010	35,119,150	34,836,717	99.20%	254,454	35,091,171	99.92%	27,979
2011	35,604,158	35,284,111	99.10%	258,936	35,543,047	99.83%	61,111
2012	35,887,926	35,604,067	99.21%	-	35,604,067	99.21%	283,859
2013	36,084,217	35,809,148	99.24%	-	35,809,148	99.24%	275,069
2014	38,361,125	38,115,148	99.36%	-	38,115,148	99.36%	245,977

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

Notes:

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

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Orange County Loan
2005	20,725,000	-	26,000,000	5,069,836	-
2006	18,545,000	-	25,500,000	5,668,038	123,146
2007	21,630,000	-	24,500,000	9,424,561	123,146
2008	19,515,000	-	23,135,000	9,080,308	123,146
2009	17,415,000	-	21,770,000	7,355,887	123,146
2010	15,285,000	-	20,405,000	7,484,449	123,146
2011	34,110,000	-	19,040,000	7,452,516	123,146
2012	31,445,000	28,800,000	-	4,650,441	123,146
2013	30,820,000	26,585,000	-	4,172,666	123,146
2014	28,141,000	24,465,000	-	3,890,775	123,146

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)
6,160,000	57,954,836	37,121	1,125	4.66%
5,925,000	55,761,184	38,629	1,064	4.40%
5,680,000	61,357,707	41,435	1,149	2.77%
5,430,000	57,283,454	41,435	1,043	2.52%
5,165,000	51,829,033	43,844	932	2.13%
4,895,000	48,192,595	47,063	849	1.80%
4,615,000	65,340,662	47,925	1,142	2.38%
-	65,018,587	46,713	1,126	2.41%
-	61,700,812	48,683	1,068	2.19%
-	56,619,921	51,702	980	1.90%

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

Fiscal Year	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General bonded debt outstanding				
General obligation bonds	\$ 20,725,000	\$ 18,545,000	\$ 21,630,000	\$ 19,515,000
Percentage of estimated actual property value (1)	0.46%	0.38%	0.40%	0.34%
Per capita (2)	\$ 558	\$ 480	\$ 522	\$ 471

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 17,415,000	\$ 15,285,000	\$ 34,110,000	\$ 31,445,000	\$ 30,820,000	\$ 28,141,000
0.30%	0.22%	0.46%	0.43%	0.42%	0.38%
\$ 397	\$ 325	\$ 712	\$ 673	\$ 633	\$ 544

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

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	\$ 207,728,454	43.08%	\$ 89,482,349
Durham County	569,264,738	1.78%	10,124,479
Total overlapping debt			<u>99,606,828</u>
Total direct debt			<u>56,619,921</u>
Total direct and overlapping debt			<u><u>\$ 156,226,749</u></u>

Sources:

Orange County Department of Financial Services.

Durham County Department of Finance.

Note:

The overlapping debt is calculated by taking the Town of Chapel Hill tax valuation in each County and dividing by each respective County's total valuation (per NCDOR tax valuation report)

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total assessed valuation	\$ 4,458,136,168	\$ 5,299,402,374	\$ 5,472,958,888	\$ 5,659,756,385
Debt limit - 8% of total assessed valuation	356,650,893	423,952,190	437,836,711	452,780,511
General obligation bonds	20,725,000	18,545,000	21,630,000	19,515,000
Bonds authorized but unissued	25,360,000	25,360,000	20,410,000	20,410,000
Net debt applicable to debt limit	<u>46,085,000</u>	<u>43,905,000</u>	<u>42,040,000</u>	<u>39,925,000</u>
Legal debt margin	<u>\$ 310,565,893</u>	<u>\$ 380,047,190</u>	<u>\$ 395,796,711</u>	<u>\$ 412,855,511</u>
Legal debt margin as a percentage of the debt limit	87.08%	89.64%	90.40%	91.18%

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, 2014 totalled \$28,141,000
 This total is less than 1% of the Town's June 30, 2014 tax base (\$7.46 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2013/2014 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 5,835,597,388	\$ 7,045,574,326	\$ 7,411,059,390	\$ 7,264,762,419	\$ 7,304,497,468	\$ 7,463,253,905
466,847,791	563,645,946	592,884,751	581,180,994	584,359,797	597,060,312
17,415,000	15,285,000	34,110,000	31,445,000	30,820,000	28,141,000
20,410,000	20,410,000	-	-	-	-
37,825,000	35,695,000	34,110,000	31,445,000	30,820,000	28,141,000
\$ 429,022,791	\$ 527,950,946	\$ 558,774,751	\$ 549,735,994	\$ 553,539,797	\$ 568,919,312
91.90%	93.67%	94.25%	94.59%	94.73%	95.29%

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

Table 14

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
2005	51,519	4,384,443	37,121	24.2	15.82	37,308	3.4%
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.0%
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9%
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	3.1%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	4.5%
2010	56,778	5,976,341	47,063	25.6	15.82	39,428	5.6%
2011	57,233	6,186,352	47,925	25.6	15.82	41,139	5.4%
2012	57,757	6,268,886	46,713	25.6	15.82	41,059	5.6%
2013	58,424	6,608,945	48,683	25.6	15.82	41,402	5.6%
2014	59,271	7,131,776	51,702	25.3	15.82	41,242	4.4%

Notes:

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

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

Table 15

Taxpayer	Fiscal Year 2014			Fiscal Year 2005		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
(1)	(2)					
University of North Carolina at Chapel Hill	1000+	1			1	
University of North Carolina Hospitals	1000+	2	Not available	Not available	2	Not available
Carrboro-Chapel Hill Schools	1000+	3	available	available	3	available
Town of Chapel Hill	500-999	4			4	
Aramark Food	500-999	5			5	
			Not available			Not available
Total Town Employment	(2) 37,831			Not available		

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

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Function/Program				
General government:				
Finance				
Purchase orders issued	2,080	2,135	2,386	2,222
Human Resources				
Recruitment for positions	56	74	79	84
Public Works				
Streets resurfaced (miles)	6.05	5.45	5.71	5.71
Refuse collected (tons)	22,231	21,838	21,541	19,821
Economic and development:				
Planning/Inspections				
Building permits issued	961	716	755	610
Public safety:				
Police				
Calls for service*	30,754	32,871	42,428	42,691
Traffic citations	4,682	4,885	6,716	6,439
Fire				
Emergency responses	1,811	2,208	3,349	2,274
Property losses	\$ 232,025	\$ 594,200	\$ 3,312,435	\$ 2,875,631
Inspections	1,312	1,218	730	714
Leisure activities:				
Parks and Recreation				
Program/league registrants**	38,343	38,141	35,250	35,758
Pass memberships				
Class registrations				
Daily visits				
Transit				
Service miles	2,140,275	2,479,470	2,396,497	2,247,250
Parking				
Citations issued	19,781	20,043	18,731	18,864
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***		258	193	223

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

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

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

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

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year						
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
1,411	1,275	1,278	1,350	1,372	1,214	
88	72	54	39	43	68	
5.87	8.09	n/a	6.4	6.0	5.88	
16,502	15,501	14,700	14,656	14,711	14,746	
692	792	581	1,007	884	1,006	
34,273	44,588	36,596	36,206	36,094	36,088	
5,605	5,590	4,664	4,996	5,087	5,721	
2,352	4,113	4,723	4,318	4,194	4,109	
\$ 2,317,857	\$ 2,315,123	\$ 880,880	\$ 1,418,764	\$ 2,449,214	\$ 2,244,585	
1,436	2,334	1,155	1,252	761	757	
35,389	n/a	n/a	n/a	n/a	n/a	
	3,168	2,719	3,631	5,514	4,195	
	2,563	3,086	6,142	3,797	5,207	
	131,840	118,605	114,450	115,503	108,569	
2,190,575	2,938,507	2,800,468	2,598,465	2,467,578	2,614,684	
17,136	16,977	14,949	13,130	12,968	12,970	
234	n/a	n/a	n/a	n/a	n/a	

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

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government:				
Public Works				
Streets (miles)	156.6	162.3	164.2	165.1
Street lights	3,008	3,005	3,075	3,161
Public Safety:				
Police				
Patrol units	4	4	4	5
Investigative units	2	2	2	2
Other specialty units	3	3	3	2
Fire				
Number of stations	5	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	17	17	17	15
Library				
Volumes in circulation	158,673	168,109	170,586	178,687
Transportation				
Number of buses	86	86	89	98
Number of vans	11	18	18	15
Parking				
Number of spaces available	889	887	890	880
Housing				
Number of units occupied	325	329	320	316

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
164.9	165.3	165.4	165.7	162.7	165.2	
3,260	3,313	3,313	3,396	3,422	3,425	
5	5	5	5	5	5	
2	2	2	2	2	2	
3	5	4	4	4	4	
5	5	5	5	5	5	
15	15	15	15	15	15	
164,040	181,046	182,800	186,290	200,105	216,985	
96	99	98	98	99	98	
15	19	19	19	17	19	
913	957	948	957	1,111	1,189	
322	326	321	308	321	321	

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

Table 18

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	6	6	7.53	6.8	7	8	8	9.8	7	11.75
Communication and Public Affairs	4.53	4.53	4.53	7.53	9.13	9.13	9.13	7.33	6.53	7.53
Human resources	8	8	8	8	8	8	8	8	8	8
Finance	11.33	12.33	12.33	12.53	14	14	14	15	15	15
Technology solutions	6	7	7	7	8	8	9	8	8	9
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning	16.19	16.19	18.56	19.56	21.1	21.06	20.53	20.53	17.75	15.75
Public Works (C,D)	129	129	124	114	78	76.75	85	76.25	65.25	71.25
Inspections	10.53	9	9	9	8	8	8	8	8	8
Engineering	12	11.8	19	20	23	23	23	23	23	23
Housing (A)	18	-	-	-	-	-	-	-	-	-
Public Safety:										
Police	138	138	144	144	144	144	145	145	139	138
Fire	74.53	74.53	86.53	86.53	93.5	93.53	93.53	93.53	90	92
Leisure activities:										
Parks & Recreation (C)	21.91	22.79	23.26	22.59	56.79	58.84	58.84	58.84	53.51	54.01
Library	28	28	29	29	29.2	29.2	29.08	29.08	30.39	26.63
Transit	161.59	164.59	167.79	171.46	176	185.98	195.33	195.33	171.73	178.41
Parking	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	11.8	11.8
Housing (A)	-	18	17	18	18	18	17	17	16	16
Stormwater (B,D)	4	5.2	5.2	7	14	14	14	14	14	14
Vehicle Maintenance	-	-	-	-	-	-	-	-	7.75	7.75
Downtown Service	-	-	-	-	-	-	-	-	1	1
Total	665.41	670.76	698.53	698.8	723.52	735.29	753.24	744.49	696.71	711.88

- Notes:
- (A) Housing was reported as a Special Revenue Fund through fiscal year 2004-2005 and then changed for reporting purposes to a Propriety Fund.
 - (B) The Stormwater Management Fund was established in 2004-2005.
 - (C) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.
 - (D) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.

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

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 29, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 29, 2014

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Chapel Hill's major federal programs for the year ended June 30, 2014. The Town of Chapel Hill's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Chapel Hill's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chapel Hill's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 29, 2014

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Chapel Hill, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Chapel Hill's major State programs for the year ended June 30, 2014. The Town of Chapel Hill's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Chapel Hill's compliance.

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Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinion on Each Major State Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Chapel Hill's internal control over compliance with the requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Chapel Hill's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 29, 2014

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major federal programs:

Program Name	CFDA#
CDBG- Entitlement Grants Cluster	14.218, 14.253, 14.254
Public and Indian Housing - Operating	14.850
Public and Indian Housing Capital Cluster	14.872, 14.884, 14.885
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Highway Planning and Construction Cluster	20.205, 20.219, 23.003

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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

\$300,000

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

State Awards

Internal control over major State programs:

• Material weaknesses identified? _____ Yes X No

• Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Identification of major State programs:

Powell Bill/DOT

State Maintenance Assistance for Urban and Small Urban Areas

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

None reported

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

None reported

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

None reported

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
FEDERAL ASSISTANCE						
U.S. Department of Transportation						
<i>Direct Programs:</i>						
FEDERAL TRANSIT CLUSTER:						
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0005	356,920	-	-	-
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-04-0013	376,200	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-00	2,433,528	141,182	-	35,296
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-01	2,564,520	4,105	-	1,025
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X478-00	2,542,369	248	-	62
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-95-X048-00	579,270	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X519-00	45,633	994	-	248
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-95-X041-00	1,505,000	549,775	-	137,447

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-04-0040	1,349,187	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-39-0003	437,500	85,316	-	21,329
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X497-00	82,243	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.500	NC-04-0051	9,000,000	-	-	460,635
<i>Subtotal Direct Federal Transit Cluster</i>				<i>781,620</i>	<i>-</i>	<i>656,042</i>
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	13-ED-911	262,000	47,454	-	47,457
Federal Transit Administration - Federal Transit Planning Formula Grant	20.513	11-ED-002	537,683	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.516	11-JA-002	750,000	-	-	-
<i>Subtotal Direct Transit Services Program Cluster</i>				<i>47,454</i>	<i>-</i>	<i>47,457</i>

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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>						
METROPOLITAN PLANNING PROGRAM / STATE PLANNING AND RESEARCH PROGRAM:						
Federal Transit Administration - Section 104(f) Planning Grant	20.505	PL 104(F)	86,755	65,092	-	16,273
Federal Transit Administration - Section 5303	20.505		135,196	108,122	13,516	13,515
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7)	75,000	17,998	-	4,499
<i>Subtotal Pass-Through Metropolitan Planning Program / State Planning and Research Program</i>				<i>191,212</i>	<i>13,516</i>	<i>34,287</i>
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration Federal Transit Formula Grant	20.516	JARC - 5316	195,110	13,464	-	13,465
Federal Transit Administration Federal Transit Capital Grant	20.521	New Freedom - 5317	132,000	4,760	-	4,760
<i>Subtotal Pass-Through Transit Services Program Cluster</i>				<i>18,224</i>	<i>-</i>	<i>18,225</i>
NC DEPARTMENT OF TRANSPORTATION - HIGHWAY SAFETY CLUSTER:						
Governor's Highway Safety Program State and Community Highway Safety	20.600	PT-14-03-33	12,000	8,848	-	2,949

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Governor's Highway Safety Program	20.601/	K8-14-02-22				
Alcohol Traffic Safety & Drunk Driving Prevention	20.602	K2-14-07-07	16,800	14,455	-	-
<i>Subtotal Pass-Through NC Department of Transportation</i>				<u>23,303</u>	<u>-</u>	<u>2,949</u>
Total U.S. Department of Transportation				<u>1,061,813</u>	<u>13,516</u>	<u>758,960</u>
Federal Highway Administration						
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER						
NCDOT - Bicycle and Pedestrian Planning Grant	20.205	M-0371	95,000	40,311	-	26,874
NCDOT MPO Grant - Drainage Grate - MLK	20.205	U-4726 M	10,000	-	-	-
NCDOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	200,000	-	-	-
NCDOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	14,907	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205		560,000	162,626	-	-
NCDOT STPDA Grant - Morgan Creek	20.505		750,000	472,566	-	-
<i>Subtotal Pass-Through Highway Planning and Construction Cluster</i>				<u>675,503</u>	<u>-</u>	<u>26,874</u>
Total Federal Highway Administration				<u>675,503</u>	<u>-</u>	<u>26,874</u>
U.S. Department of Housing and Urban Development						
CDBG ENTITLEMENT GRANTS CLUSTER:						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement	14.218	MC-37-0016	6,879,167	361,196	-	17,339
Program income			-	-	-	-
<i>Subtotal Direct CDBG Entitlement Grants Cluster</i>				<u>361,196</u>	<u>-</u>	<u>17,339</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
PUBLIC & INDIAN HOUSING						
Public and Indian Housing Program - Operating Rental and other income	14.850	NC046-00000113D/213D	1,231,670 -	1,231,670 -	- -	- 882,168
<i>Subtotal Direct Public & Indian Housing Cluster</i>				<i>1,231,670</i>	<i>-</i>	<i>882,168</i>
PUBLIC HOUSING CAPITAL FUND CLUSTER - CFP						
Public and Indian Housing - Capital Fund	14.872 14.872 14.872 14.872	NC-19P04650110 NC-19P04650111 NC-19P04650112 NC-19P04650113	594,401 506,097 448,270 444,974	316,241 450,720 413,317 34,319	- - - -	- - - -
<i>Subtotal Direct CFP Cluster</i>				<i>1,214,597</i>	<i>-</i>	<i>-</i>
<i>Passed-Through Orange County, North Carolina:</i>						
HOME INVESTMENT PARTNERSHIP PROGRAM						
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	- -	- -	- 10,125
<i>Subtotal Pass-Through HOME Program</i>				<i>-</i>	<i>-</i>	<i>10,125</i>
Total U.S. Department of Housing and Urban Development				2,807,463	-	909,632

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 Justice						
<i>Direct Programs:</i>						
Bulletproof Vest Partnership Program	16.607		18,920	9,444	-	9,444
<i>Subtotal direct programs</i>				9,444	-	9,444
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Governor's Crime Commission Criminal Justice Systems Improv-Evidence Processing	16.741		24,360	-	-	-
<i>Subtotal Passed-Through NC Dept of Crime Control & Public Safety</i>				-	-	-
Total U.S. Department of Justice				9,444	-	9,444
U.S. Department of Homeland Security						
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Federal Mediation and Conciliation Services Youth Initiative Partnership	34.001		24,000	3,220	-	-
Total U.S. Department of Homeland Security				3,220	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of Energy						
<i>Passed-Through Southeast Energy Efficiency Alliance:</i>						
Energy Efficiency Retrofit (ARRA)	81.128	DE-EE0003575	948,003	36,367	-	6,338
Total U.S. Department of Energy				36,367	-	6,338
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment & Natural Resources:</i>						
EPA Section 319 Grant	15.530		533,620	4,499	-	-
Total U.S. Department of the Interior				4,499	-	-
U.S. Department of Treasury						
Build America Bonds Interest Subsidy	85.676		169,366	169,366	-	-
Total U.S. Department of Treasury				169,366	-	-
TOTAL FEDERAL ASSISTANCE				4,767,675	13,516	1,711,248

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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			1,491,339	-	1,491,339	-
Interest			43	-	-	43
State Maintenance Assistance for Urban and Small Urban Areas			2,692,863	-	2,692,863	-
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	-	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	-	-
NCDOT Advanced Technology Grant	13-AT-117		61,000	-	5,407	601
NCDOT Advanced Technology Grant	12-AT-117		65,000	-	-	-
NCDOT Advanced Technology Grant	11-AT-013		100,000	-	-	-
<i>Passed-Through Triangle J Council of Government:</i>						
Transit Demand Grant			87,842	-	38,102	38,102
Total North Carolina Department of Transportation				-	4,227,711	38,746
North Carolina Department of Cultural Resources:						
State Library Aid			28,308	-	28,308	-
TOTAL STATE ASSISTANCE				-	4,256,019	38,746
TOTAL FINANCIAL ASSISTANCE				4,767,675	4,269,535	1,749,994

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014

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, 2014. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2014, 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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