

**Town of Chapel Hill, North Carolina  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2005**

Prepared by:

Town of Chapel Hill Finance Department

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September 9, 2005

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

Ladies and Gentlemen:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to submit to you the Comprehensive Annual Financial Report of the Town of Chapel Hill, North Carolina for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the Town of Chapel Hill. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. 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. 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.

The Town of Chapel Hill's financial statements have been audited by Dixon Hughes PLLC, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Chapel Hill for the fiscal year ended June 30, 2005 are free of material misstatement. The independent

audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating 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 Town of Chapel Hill's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally Accepted Accounting Principles require 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.

### **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 21.1 square miles, serves an official State population of 51,519, and is the home of the University of North Carolina at Chapel Hill.

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

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

The Mayor and all Council members are elected at large. Council members serve four-year terms. The Mayor and four Council members are elected every two years. All municipal elections are non-partisan.



The Town Manager is the chief administrative officer of the Town. He is the professional administrator who serves at the pleasure of the Town Council for an indefinite term.

This report includes all activities considered to be controlled by or dependent on the Town of Chapel Hill as well as its component unit. Those activities consist of the full range of municipal services contemplated by statute or the Town Charter. These services include public safety (fire, police and rescue), streets, sanitation, recreation, planning and zoning, inspections, general administration, parking and transportation. The Orange Water and Sewer Authority (OWASA) is the Town's 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.

The annual budget serves as the foundation for the Town of Chapel Hill's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager in January of each year. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager presents the proposed budget to the Council in April. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by June 30. Formal budgetary accounting is employed for all funds, as a management control required by North Carolina General Statutes. Budgets are legally enacted by passage of an Annual Budget Ordinance and Project Budget Ordinances which may be formally amended as required. The Town Manager is authorized to transfer budget authorizations within departments, but changes of functions and total budgets of any fund require approval by the Town Council.

Budgetary control is maintained at the department level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are reported as reservations of fund balances at June 30, 2005.

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

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources

together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

### **Factors Affecting Financial Condition**

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

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

The economy of the Town is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented businesses. The University of North Carolina at Chapel Hill and the University of North Carolina Health Care System are the largest employers in the Town, providing approximately 22,000 jobs. These institutions contribute significantly to the low unemployment rate in the Town and Orange County. The Town's unemployment rate has been below State and national rates over the last five years. The Town's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base.

**Long-term financial planning.** The Town is considering several new capital projects which could affect Town borrowings and future debt payments.

On April 14, 2003 the Town Council unanimously adopted the Library Building Program as a part of the Library Master Plan. The Plan calls for the expansion of the present library building from 27,000 square feet to 75,500 square feet, the addition of user seating to accommodate 279 users instead of the current 120, and an increase in books and other materials. In addition to the Library Building Program, the Council recommended that the citizens of Chapel Hill consider bond financing for several other proposals.

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

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

The Council planned to sell the bonds in four installments. The first installment of \$4 million of these bonds was sold in fall of 2004. The remaining three installment sales total \$25.36 million and are proposed as follows:

Year of Issuance	2006-07	2008-09	2009-10	Total
Amount	\$7.75 Million	\$8.805 Million	\$8.805 Million	\$25.36 Million

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

**Cash and Revenue Management.** Cash temporarily idle during the year was invested in a time deposit account and the State Treasurer’s investment pool. The average yield on investments was approximately 2.43% during fiscal year 2004-05. The Town earned interest revenue of \$442,649 on governmental funds for the year ended June 30, 2005.

The Town’s investment policy emphasizes safety and liquidity while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits were either insured by federal depository insurance or fully collateralized. Over 95 percent of the investments held by the Town at June 30, 2005 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. This percentage did not fall below 75 percent at any time during the year.

**Risk Management.** The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials liability, law enforcement liability and property losses. The Town also participates in the Interlocal Risk Management Pool of North Carolina for workers' compensation. The Town's potential loss for liability coverages is limited to the deductible amount of \$2,500 per claim for all coverages, except public officials, which is limited to the deductible amount of \$5,000 per claim. The potential loss for workers' compensation is limited to the deductible amount of \$5,000 per claim.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chapel Hill for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

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 2004-05. 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 staff of the Finance 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, Dixon

Hughes PLLC, 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,

A handwritten signature in black ink that reads "W. Calvin Horton". The signature is written in a cursive style with a large initial "W".

W. Calvin Horton  
Town Manager

A handwritten signature in black ink that reads "Kay Johnson". The signature is written in a cursive style with a large initial "K".

Kay Johnson  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Chapel Hill,  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



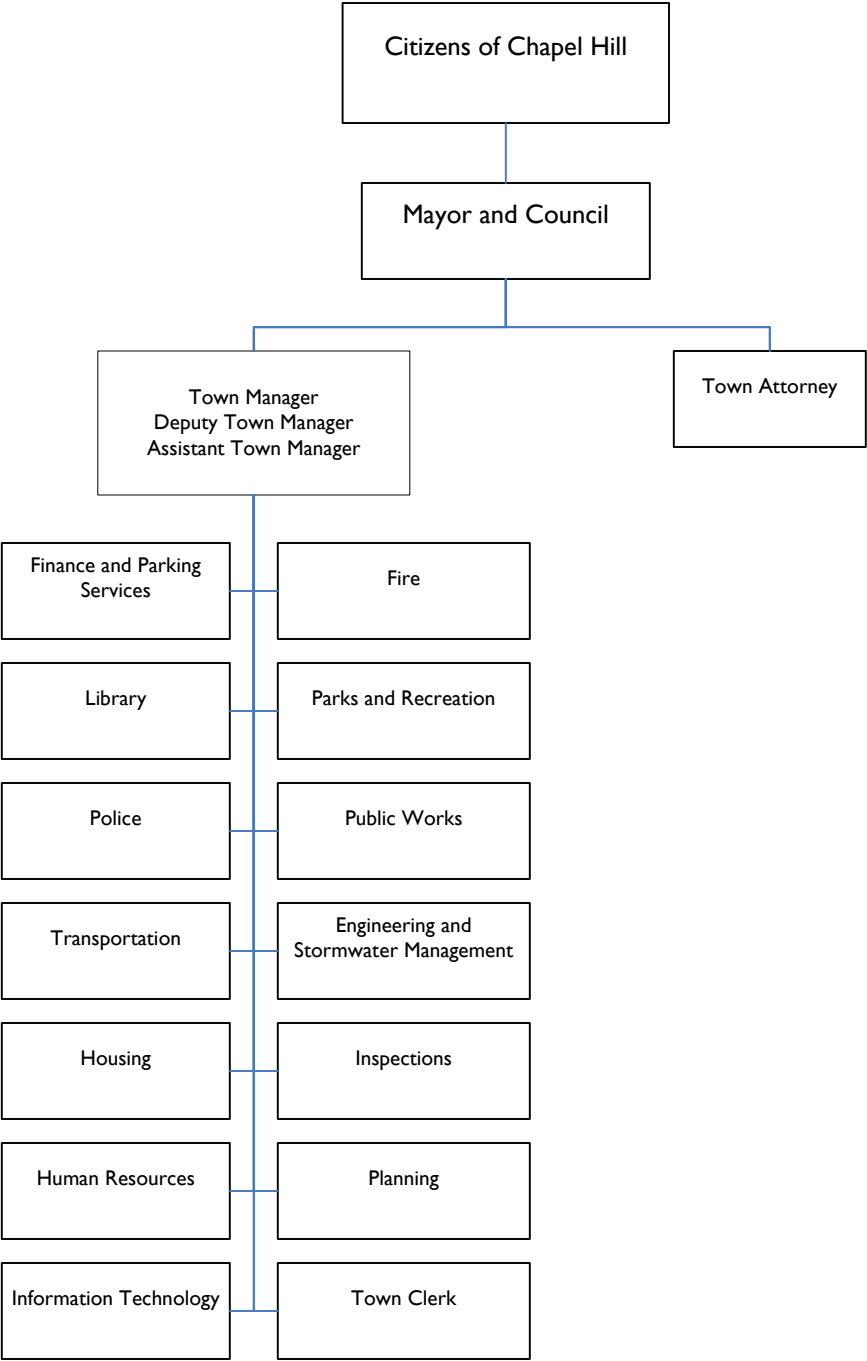
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

# TOWN OF CHAPEL HILL ORGANIZATIONAL CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA  
THE TOWN GOVERNING BODY AND OFFICIALS  
JUNE 30, 2005  
MEMBERS OF THE GOVERNING BODY**

**Mayor**  
Kevin Foy

**Mayor pro tem**  
Edith Wiggins

**Council Members**

Sally Greene

Ed Harrison

Cam Hill

Mark Kleinschmidt

Bill Strom

Dorothy Verkerk

Jim Ward

**Officials**

W. Calvin Horton

Town Manager

Florentine M. Miller

Deputy Town Manager

Bruce A. Heflin II

Assistant Town Manager

Kathleen A. Johnson

Finance Director

Ralph D. Karpinos

Town Attorney



## ***INDEPENDENT AUDITORS' REPORT***

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2005 which collectively comprise of the Town of Chapel Hill's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Orange Water and Sewer Authority, which represents 169.90%, 175.61%, and 35.80% respectively, of the assets, net assets and revenues of the governmental activities and business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange County Water and Sewer Authority, is based solely on the reports of the other auditors.

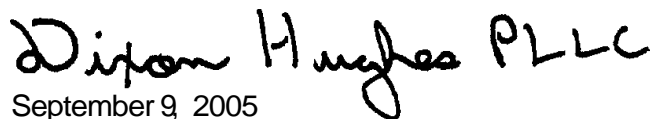
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 9, 2005 on our consideration of the Town of Chapel Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 12, and the Chapel Hill Police Officers' Retirement and Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 65 and 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

  
September 9, 2005

## Management's Discussion and Analysis

As management of the Town of Chapel Hill, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follows this narrative.

### Financial Highlights

- The net assets of the Town of Chapel Hill exceeded its liabilities at the close of the fiscal year by \$93,349,105.
- The government's total net assets increased by \$9,967,730, which includes a prior period adjustment in the amount of \$835,243.
- As of the close of the current fiscal year, the Town of Chapel Hill's governmental funds reported combined ending fund balances of \$48,284,202, an increase of \$30,856,885 in comparison with the prior year. Approximately 21% of this total amount, or \$10,186,871 is available for spending at the government's discretion (*unreserved fund balance*). Of the available balance, the Town has designated \$1,639,069 for the 2005-06 budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$9,778,343, or 26.2% of total general fund expenditures for the fiscal year. \$1,514,993 of this amount was appropriated to balance the 2005-06 budget.
- The Town of Chapel Hill's total debt increased by \$26,884,696 (80.1%) during the current fiscal year. The key factors in this increase were the new debt for the Town Operations Center of \$26 million, and the new General Obligation bonds of \$4 million. The new debt was partially offset by a decrease in existing debt.
- The Town of Chapel Hill maintained its Aaa bond rating for the 6th consecutive year from Moody's and its Aa+ rating from Standard and Poor's.

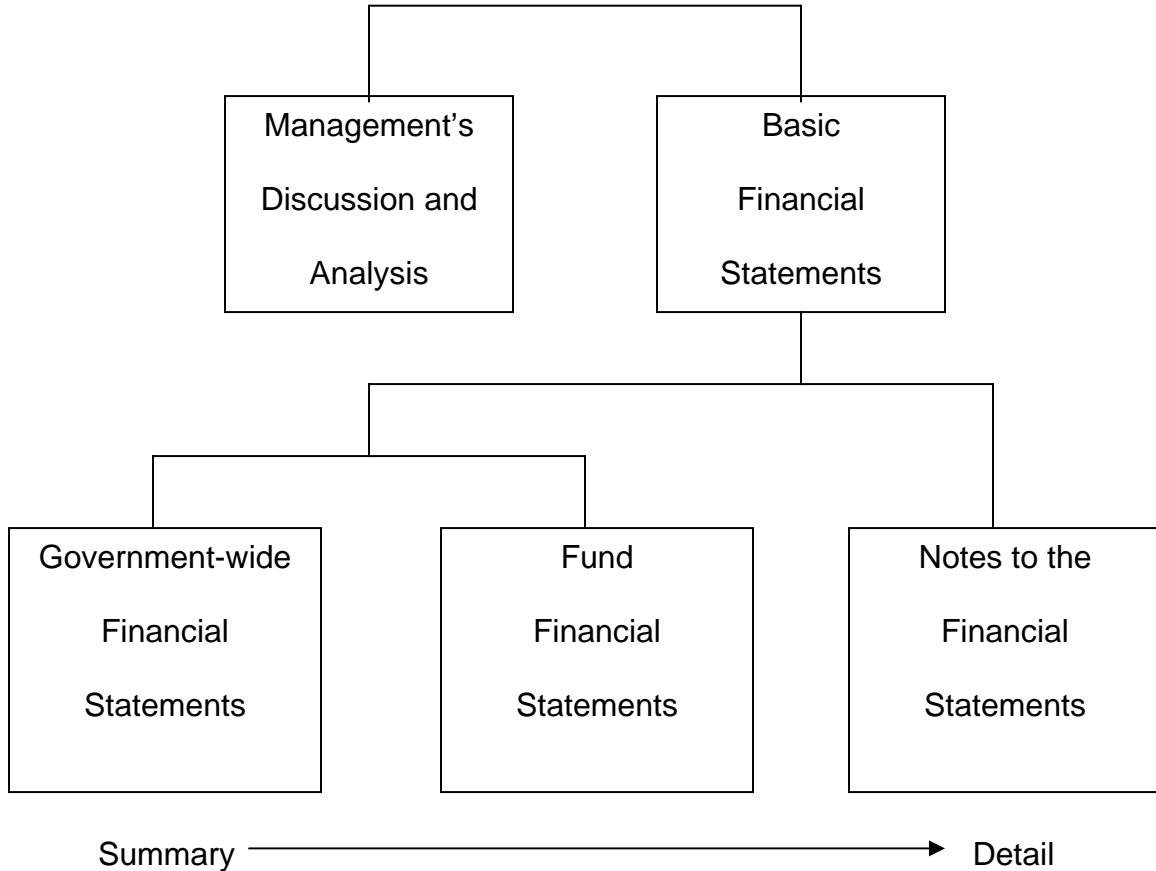
### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Chapel Hill's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). 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.

The final section of the Town of Chapel Hill's financial statements is the federally mandated "Single Audit". The Single Audit Section 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.

## Required Components of Annual Financial Report

Figure I



### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to financial statements of a private-sector business. The government-wide statements provide information about the Town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. Governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grants finance most of these activities. Business-type activities are those that the Town manages like a for-profit business. These include the Parking Fund, where profits from parking cover the cost of parking services, the Transportation Fund,

which is managed like a for-profit business although the Town continues to provide fare-free service for most of the transportation services, and the Stormwater Management Fund, where fee revenue covers the costs of mitigation of stormwater damage including maintenance of drainage systems and soil erosion.

The final category is the component unit. Although legally separate from the Town, the Town shows Orange Water and Sewer Authority (OWASA) as a component unit on its financial statements because the Town exercises control over OWASA's Board by appointing a majority of its members.

The government-wide financial statements are in Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like all other governmental entities in North Carolina, the Town of Chapel Hill uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes and the Town's budget ordinance.

All of the funds of the Town of Chapel Hill can be divided into two categories: governmental funds and proprietary funds. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary funds statements. The Town's Fund Financial Statements are on Exhibits 3 through 10.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps the reader determine if there is an increase or decrease in financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the Town Council decisions about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council, 2) the final budget as amended by the Council, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of

accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown on pages 20 and 23.

**Proprietary Funds** – The Town of Chapel Hill has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Chapel Hill uses enterprise funds to account for transportation, parking operations and stormwater management. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the Town of Chapel Hill. The Town uses internal service funds to account for three activities – 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** – The notes 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 64 of this report.

**Supplemental Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Chapel Hill's progress in funding its obligation to provide separation allowance for law enforcement officers. Budgetary information required by the General Statutes can be found in this part of the statements. Required supplementary information can be found beginning on page 65 of this report.

### **Government-Wide Financial Analysis**

The Town uses the financial statement reporting model mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictates the changes in the Town's financial reports beginning with the financial reports for fiscal year 2002-03.

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. Figure 2 summarizes the Town's assets, liabilities and net assets. Governmental and business-type activities are shown separately and combined, with comparison figures from the prior fiscal year.

**Town of Chapel Hill's Net Assets**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (as restated)	2005	2004	2005	2004 (as restated)
Current assets	\$ 25,174,317	\$ 23,423,217	\$ 6,000,872	\$ 3,552,448	\$ 31,175,189	\$ 26,975,665
Non-current assets	107,140,793	74,286,429	20,356,870	21,073,218	127,497,663	95,359,647
<b>Total assets</b>	<b>132,315,110</b>	<b>97,709,646</b>	<b>26,357,742</b>	<b>24,625,666</b>	<b>158,672,852</b>	<b>122,335,312</b>
Current liabilities	7,943,115	7,490,426	1,255,327	580,066	9,198,442	8,070,492
Non-current liabilities	50,178,528	23,605,805	5,946,777	6,442,397	56,125,305	30,048,202
<b>Total liabilities</b>	<b>58,121,643</b>	<b>31,096,231</b>	<b>7,202,104</b>	<b>7,022,463</b>	<b>65,323,747</b>	<b>38,118,694</b>
Net assets:						
Invested in capital assets, net of related debt	53,543,531	48,939,875	13,888,037	14,367,385	67,431,568	63,307,260
Restricted	11,715,309	11,724,068	-	-	11,715,309	11,724,068
Unrestricted	8,934,627	5,949,472	5,267,601	3,235,818	14,202,228	9,185,290
<b>Total net assets</b>	<b>\$ 74,193,467</b>	<b>\$ 66,613,415</b>	<b>\$ 19,155,638</b>	<b>\$ 17,603,203</b>	<b>\$ 93,349,105</b>	<b>\$ 84,216,618</b>

The assets of the Town of Chapel Hill exceeded liabilities by \$93,349,105 as of June 30, 2005. The Town's net assets increased by \$9,132,487 for the fiscal year ended June 30, 2005. However, the largest portion (71.8%) of net assets reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Chapel Hill uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Chapel Hill's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of the Town of Chapel Hill's net assets (41.8%) represents resources that are subject to external restrictions on how they may be used. The total unrestricted net assets show a balance of \$14,202,228.

Several particular aspects of the Town's financial operations influenced the total unrestricted governmental net assets:

- Addition of \$26 million in debt for the construction of a new Town Operations Center and \$4 million for sidewalks, open space, parks and recreation facilities, energy efficiency projects, and planning for library expansion.
- Actual revenues in excess of budget of \$2.5 million, including \$1 million in sales taxes and \$350,000 in General Fund property tax revenue.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.96.
- Low cost of debt due to the Town's high bond rating and the current bond market.

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

**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
	(as restated)					
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 4,888,510	\$ 4,333,546	\$ 4,191,544	\$ 2,419,340	\$ 9,080,054	\$ 6,752,886
Operating grants and contributions	7,904,015	6,182,753	9,551,828	8,482,726	17,455,843	14,665,479
Capital grants and contributions	-	-	1,217,846	599,175	1,217,846	599,175
<b>General revenues:</b>						
Taxes	32,782,589	31,265,461	2,623,385	2,190,261	35,405,974	33,455,722
Grants and contributions not restricted to specific programs	2,478,791	2,683,589	-	-	2,478,791	2,683,589
Other	1,590,621	2,703,086	97,458	117,901	1,688,079	2,820,987
<b>Total revenues</b>	<b>49,644,526</b>	<b>47,168,435</b>	<b>17,682,061</b>	<b>13,809,403</b>	<b>67,326,587</b>	<b>60,977,838</b>
<b>Expenses:</b>						
General government	4,113,954	3,641,608	-	-	4,113,954	3,641,608
Environment and development	16,536,622	16,793,496	-	-	16,536,622	16,793,496
Public safety	15,501,769	15,280,202	-	-	15,501,769	15,280,202
Leisure activities	4,694,967	4,617,299	-	-	4,694,967	4,617,299
Nondepartmental	1,324,805	962,489	-	-	1,324,805	962,489
Interest expense	884,070	880,610	-	-	884,070	880,610
Transportation	-	-	12,457,941	11,469,835	12,457,941	11,469,835
Parking facilities	-	-	1,614,306	1,749,648	1,614,306	1,749,648
Stormwater management	-	-	1,065,666	-	1,065,666	-
<b>Total expenses</b>	<b>43,056,187</b>	<b>42,175,704</b>	<b>15,137,913</b>	<b>13,219,483</b>	<b>58,194,100</b>	<b>55,395,187</b>
Increase (decrease) in net assets before transfers	6,588,339	4,992,731	2,544,148	589,920	9,132,487	5,582,651
Transfers	991,713	347,376	(991,713)	(347,376)	-	-
Increase (decrease) in net assets	7,580,052	5,340,107	1,552,435	242,544	9,132,487	5,582,651
Net assets, July 1, as previously reported	65,778,172	53,529,120	17,603,203	17,360,659	83,381,375	70,889,779
Restatement (See Note O)	835,243	7,744,188	-	-	835,243	7,744,188
Net assets, July 1, as restated	66,613,415	61,273,308	17,603,203	17,360,659	84,216,618	78,633,967
Net assets, June 30	\$ 74,193,467	\$ 66,613,415	\$ 19,155,638	\$ 17,603,203	\$ 93,349,105	\$ 84,216,618

**Governmental activities.** Governmental activities show an increase in net assets of \$8,415,295. The increase is primarily due to the purchase of land and construction. Projects include land and construction for the Town Operations Center at a cost of \$205,873 and \$1,916,091, respectively; renovations for Public Housing units at Airport Gardens of \$825,179 and at Trinity Court of \$156,801, and replacement of a portion of the Town's rolling stock and other equipment at a cost of \$386,616. Excess sales tax revenues and expenditures under budget have also contributed to the net increase in net revenues from current year activities of \$7,580,052. A portion of the increase in net assets in the governmental funds relates to a change in accounting principle related to recognition of compensated absences. As a result, the Town's governmental funds do not reflect \$1,209,982 in expenditures and short-term liabilities that would have been recorded in prior years. See Note Q on page 63 for a further explanation of the change in accounting method.

**Business-type activities:** Business-type activities increased the Town of Chapel Hill's net assets by \$1,552,435. The increase in net assets comes primarily from the Transportation Fund



where operating expenses were under budget by 471,245. Both the Parking Facilities Fund and the Stormwater Management Fund had small increases in net assets as a result of operations.

### **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 the Town of Chapel Hill's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Chapel Hill. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,778,343 of which \$8,263,350 is undesignated, while total fund balance reached \$14,975,218. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 22% of total General Fund expenditures, while total fund balance represents 39.8% of that same amount.

At June 30, 2005, the governmental funds of the Town of Chapel Hill reported a combined fund balance of \$48,284,202, a 177% increase over last year. Included in this change in fund balance is an increase in fund balance in the Capital Projects Ordinance Fund for issuance of debt for the Town Operations Center.

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

Conservative budgeting principles result in actual revenues exceeding budget estimates. This year the actual revenues were approximately \$2,458,000 more than the revenue budget. This difference is because of conservative budgeting with property taxes exceeding budget by about \$350,000 and fuel taxes (Powell Bill) exceeding budget by about \$159,000. Sales taxes revenues exceeded budget by approximately \$1,071,000. Expenditures were approximately \$2,646,000 less than budgeted. A portion of the underexpenditure represents the effect of departments spending under their total budgeted limit. A portion of the excess of budget over actual expenditures represents purchase orders open at year end that, with the approval of the Town Council, are carried forward to the new year. The Town plans for actual revenues to exceed actual expenditures by at least the \$800,000 each year to become a part of appropriated fund balance in the following year.

**Proprietary Funds.** The Town of Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets at the end of the fiscal year were \$3,784,080 for the Transportation Fund, \$1,232,473 for the Parking Facilities Fund, and \$251,048 for the Stormwater Management Fund. The total

change in net assets for the three funds was \$1,132,398, \$168,989 and \$251,048, respectively. 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.** The Town of Chapel Hill's investment in capital assets for its governmental and business-type activities as of June 30, 2005, totals \$99,386,404 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- \$205,873 for additional land for the Town Operations Center;
- \$538,864 for renovations to Pritchard Community Park; and
- \$386,616 for replacements of a portion of the Town's rolling stock and other equipment.

Additional construction in progress of \$3,049,357 in governmental-type activities includes:

- \$1,916,091 for work on the Town Operations Center;
- \$825,179 for renovations to Public Housing units at Airport Gardens Apartments; and
- \$156,801 for renovations to Public Housing units at Trinity Court Apartments.

No major demolitions were recorded this year.

**Town of Chapel Hill Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 24,760,789	\$ 23,862,553	\$ 4,789,425	\$ 4,789,425	\$ 29,550,214	\$ 28,651,978
Land improvements	4,308,958	4,432,705	1,872,358	2,071,458	6,181,316	6,504,163
Infrastructure	17,376,978	15,787,646	-	-	17,376,978	15,787,646
Buildings and building improvements	18,149,889	18,500,818	3,501,923	3,878,179	21,651,812	22,378,997
Equipment and vehicles	4,380,509	4,390,820	8,729,458	10,008,323	13,109,967	14,399,143
Construction in progress	10,361,244	7,311,887	1,154,873	-	11,516,117	7,311,887
<b>Total</b>	<b>\$ 79,338,367</b>	<b>\$ 74,286,429</b>	<b>\$ 20,048,037</b>	<b>\$ 20,747,385</b>	<b>\$ 99,386,404</b>	<b>\$ 95,033,814</b>

Additional information on the Town's capital assets can be found on pages 50-52 of the Notes to the Financial Statements.

**Long-term Debt.** As of June 30, 2005, the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$20,725,000.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 20,725,000	\$ 18,400,000	\$ -	\$ -	\$ 20,725,000	\$ 18,400,000
Installment notes payable	5,069,836	6,526,774	-	-	5,069,836	6,526,774
Separation allowance	405,290	419,780	-	-	405,290	419,780
Compensated absences	1,740,366	1,532,215	342,259	311,374	2,082,625	1,843,589
Certificates of participation	26,000,000	-	6,160,000	6,380,000	32,160,000	6,380,000
<b>Total</b>	<b>\$ 53,940,492</b>	<b>\$ 26,878,769</b>	<b>\$ 6,502,259</b>	<b>\$ 6,691,374</b>	<b>\$ 60,442,751</b>	<b>\$ 33,570,143</b>

The Town of Chapel Hill's total debt from governmental activities increased by \$27,061,723, or 100%, to \$53,940,492 during the past fiscal year. The largest factor in the overall increase was the addition of \$26 million in Certificates of Participation to finance the new Town Operations Center. The University of North Carolina at Chapel Hill elected not to renew the Town's lease on the property where the current facility is located as of January 2006. The Town also issued a total of \$4 million in general obligation debt for library facilities planning, parks and recreation facilities, energy efficient building improvements and sidewalks, pedestrian and cyclist amenities and downtown streetscape improvements. Business-type activity debt decreased by \$189,115 to \$6,502,259, bringing total debt to \$60,442,751.

As mentioned in the financial highlights section of this document, the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and AA+ rating from Standard and Poor's Corporation for the 6<sup>th</sup> consecutive year. This bond rating is a clear indication of the Town's sound financial condition. 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 is a primary factor in keeping interest costs low on the Town's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Chapel Hill is \$310 million, well above the Town's outstanding debt for general obligation bonds of approximately \$20.7 million and Certificates of Participation of \$26 million.

Additional information regarding the Town of Chapel Hill's long-term debt can be found beginning on page 53 of this report.

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

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

- Low unemployment. The Town of Chapel Hill unemployment rate of about 4.0% is below the State average of 5.6%.
- Stable property tax base with a continuing collect property tax collection rate in excess of 99%.
- Housing values. Average housing values within the Town continue to exceed those of surrounding jurisdictions. (For calendar year 2004, the average Chapel Hill home sold was valued at \$342,426; the average Durham County home sold was valued at \$171,071, the average Wake County home was valued at \$221,903; and the average Orange County home was valued at \$298,883.)

### **Budget Highlights for the Fiscal Year Ending June 30, 2006**

**Governmental Activities:** Property taxes, benefiting from economic growth and the annexation of Vineyard Square and Larkspur, are expected to lead the increase in budgeted revenues in the General Fund with an increase of \$2,392,000 or 10.5%, comparing original budget 2004-05 to original budget 2005-06. In comparing actual receipts of \$23.0 million in 2004-05 to the 2005-06 budget of \$25.6 million, the increase is 8.7%. The Town will use these increases in revenues to finance programs currently in place and to make debt service payments on the \$26 million that the Town borrowed at the end of fiscal year 2004-05 for the Town Operations Center. The new Operations Center is expected to be completed by January 2007 and would replace the current Public Works facilities when the lease with the University of North Carolina at Chapel Hill expires. The debt service on the borrowing will be approximately \$1.75 million in 2005-06.

Budgeted expenditures in the General Fund are expected to rise 8.5% to \$46,354,000. The largest expenditure increase is for the fore mentioned \$1.75 million new debt service requirement of the Town Operations Center. Other incremental increases are for employee compensation, including funding compensation and benefits adjustments.

**Business – type Activities:** The Town continued the policy of providing fare-free service for most transportation services. As a result of the increases for employee compensation and benefit adjustments, as well as additional maintenance staff and the increased cost of fuel, the budget for the transportation department has increased by \$838,700 or 7.3%. Parking Facilities Fund revenues and expenditures are budgeted to remain approximately the same next year as this year, with an increase of about \$10,000 to fund compensation and benefits adjustments offset by an increase in revenues from parking.

### **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 Finance, Town of Chapel Hill, 405 Martin Luther King Jr. Boulevard, Chapel Hill, NC 27514.

**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 19,904,943	\$ 5,566,621	\$ 25,471,564	\$ 91,969
Investments	-	-	-	6,511,432
Taxes receivable, net	172,687	-	172,687	-
Accounts receivable, net	344,791	80,143	424,934	4,353,574
Due from other governments	3,581,594	-	3,581,594	-
Inventories	272,505	352,108	624,613	522,645
Prepaid items	3,690	2,000	5,690	276,514
Restricted cash and cash equivalents	894,107	-	894,107	23,914,552
Total current assets	<u>25,174,317</u>	<u>6,000,872</u>	<u>31,175,189</u>	<u>35,670,686</u>
Non-current assets:				
Restricted cash and cash equivalents	27,802,426	-	27,802,426	-
Deferred charges	-	308,833	308,833	1,068,570
Capital assets (Note E):				
Land and construction in progress	35,122,034	5,944,298	41,066,332	59,596,197
Other capital assets, net of accumulated depreciation	44,216,333	14,103,739	58,320,072	173,257,299
Total capital assets	<u>79,338,367</u>	<u>20,048,037</u>	<u>99,386,404</u>	<u>232,853,496</u>
Total non-current assets	<u>107,140,793</u>	<u>20,356,870</u>	<u>127,497,663</u>	<u>233,922,066</u>
Total assets	<u>132,315,110</u>	<u>26,357,742</u>	<u>158,672,852</u>	<u>269,592,752</u>
<b>LIABILITIES</b>				
Current liabilities:				
Internal balances	108,892	(108,892)	-	-
Accounts payable and accrued liabilities	2,563,156	808,737	3,371,893	4,606,768
Customer deposits	128,639	-	128,639	-
Other	68,731	-	68,731	-
Liabilities payable from restricted assets	-	-	-	1,375,866
Non-current liabilities due within one year	5,073,697	555,482	5,629,179	3,274,847
Total current liabilities	<u>7,943,115</u>	<u>1,255,327</u>	<u>9,198,442</u>	<u>9,257,481</u>
Non-current liabilities:				
Bond premium	1,311,733	-	1,311,733	-
Debt service	48,866,795	5,946,777	54,813,572	96,405,194
Total non-current liabilities	<u>50,178,528</u>	<u>5,946,777</u>	<u>56,125,305</u>	<u>96,405,194</u>
Total liabilities	<u>58,121,643</u>	<u>7,202,104</u>	<u>65,323,747</u>	<u>105,662,675</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of debt	53,543,531	13,888,037	67,431,568	137,441,321
Restricted for:				
Capital projects	3,506,844	-	3,506,844	-
Other purposes	8,208,465	-	8,208,465	19,114,903
Unrestricted	8,934,627	5,267,601	14,202,228	7,373,853
Total net assets	<u>\$ 74,193,467</u>	<u>\$ 19,155,638</u>	<u>\$ 93,349,105</u>	<u>\$ 163,930,077</u>

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

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 4,113,954	\$ 607,385	\$ -
Environment and development	16,536,622	3,607,851	5,973,016
Public safety	15,501,769	70,046	1,183,619
Leisure activities	4,694,967	603,228	747,380
Nondepartmental	1,324,805	-	-
Interest expense	884,070	-	-
<b>Total governmental activities</b>	<b>43,056,187</b>	<b>4,888,510</b>	<b>7,904,015</b>
Business-type activities:			
Transportation	12,457,941	549,673	9,551,828
Parking Facilities	1,614,306	1,933,579	-
Stormwater Management	1,065,666	1,708,292	-
<b>Total business-type activities</b>	<b>15,137,913</b>	<b>4,191,544</b>	<b>9,551,828</b>
<b>Total primary government</b>	<b>\$ 58,194,100</b>	<b>\$ 9,080,054</b>	<b>\$ 17,455,843</b>
Component unit - Orange Water and Sewer Authority	\$ 24,142,717	\$ 21,891,667	\$ -

General revenues:

Property taxes

Grants and contributions not restricted to specific programs:

Intergovernmental

Investment earnings

Miscellaneous

Transfers

**Total general revenues, proceeds and transfers**

**Change in net assets**

Net assets - beginning of year, as previously reported

Restatement (see Note J)

Net assets - beginning of year, as restated

Net assets - end of year

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Capital Grants and Contributions</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ -	\$ (3,506,569)	\$ -	\$ (3,506,569)	\$ -
-	(6,955,755)	-	(6,955,755)	-
-	(14,248,104)	-	(14,248,104)	-
-	(3,344,359)	-	(3,344,359)	-
-	(1,324,805)	-	(1,324,805)	-
-	(884,070)	-	(884,070)	-
-	(30,263,662)	-	(30,263,662)	-
1,217,846	-	(1,138,594)	(1,138,594)	-
-	-	319,273	319,273	-
-	-	642,626	642,626	-
1,217,846	-	(176,695)	(176,695)	-
<u>\$ 1,217,846</u>	<u>(30,263,662)</u>	<u>(176,695)</u>	<u>(30,440,357)</u>	<u>-</u>
<u>\$ 2,566,129</u>	-	-	-	<u>315,079</u>
	32,782,589	2,623,385	35,405,974	-
	2,478,791	-	2,478,791	-
	442,649	97,458	540,107	821,194
	1,147,972	-	1,147,972	1,872,820
	991,713	(991,713)	-	-
	<u>37,843,714</u>	<u>1,729,130</u>	<u>39,572,844</u>	<u>2,694,014</u>
	7,580,052	1,552,435	9,132,487	3,009,093
	65,778,172	17,603,203	83,381,375	160,920,984
	835,243	-	835,243	-
	<u>66,613,415</u>	<u>17,603,203</u>	<u>84,216,618</u>	<u>160,920,984</u>
<u>\$</u>	<u>74,193,467</u>	<u>\$ 19,155,638</u>	<u>\$ 93,349,105</u>	<u>\$ 163,930,077</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, community development, public safety, public works, and leisure activities).

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

## 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.

Transportation 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.

Stormwater Management Fund - This fund is used to account for the operations of the Town's stormwater management department.

## GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2005

	General	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,669,210	\$ 2,524,575	\$ 3,051,891	\$ 19,245,676
Receivables:				
Due from other funds	-	-	17,454	17,454
Property taxes, net	172,687	-	-	172,687
Governmental units and agencies	2,896,855	277,932	406,807	3,581,594
Other	161,642	1,826	127,708	291,176
Inventories	1,472	-	173,761	175,233
Prepaid items	3,690	-	-	3,690
Restricted cash and equivalents	-	27,311,733	490,693	27,802,426
<b>TOTAL ASSETS</b>	<b>16,905,556</b>	<b>30,116,066</b>	<b>4,268,314</b>	<b>51,289,936</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ 126,346	\$ 126,346
Accounts payable	551,913	260,165	390,917	1,202,995
Accrued liabilities	1,049,762	-	107,659	1,157,421
Unearned revenues	190,652	-	130,950	321,602
Deposits	128,639	-	-	128,639
Other	9,372	-	59,359	68,731
Total liabilities	1,930,338	260,165	815,231	3,005,734

Continued

## GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2005

	General	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
FUND BALANCES				
Reserved:				
Reserved for encumbrances	\$ 1,209,013	\$ -	\$ 656,035	\$ 1,865,048
Reserved by State statute	3,250,131	279,758	534,515	4,064,404
Reserved for capital improvements	531,342	29,855,901	431,334	30,818,577
Reserved for police	204,917	-	-	204,917
Reserved for inventory	1,472	-	157,223	158,695
Reserved for debt service	-	-	455,089	455,089
Reserved for community development	-	-	30,178	30,178
Reserved for interest subsidies	-	-	293,649	293,649
Reserved for land in trust	-	-	36,111	36,111
Reserved for aid to library operations	-	-	170,663	170,663
Unreserved:				
Designated for subsequent year's expenditures, reported in:				
General fund	1,514,993	-	-	1,514,993
Special revenue funds	-	-	124,076	124,076
Undesignated:				
General fund	8,263,350	-	-	8,263,350
Special revenue funds	-	-	564,210	564,210
Capital project funds	-	(279,758)	-	(279,758)
Total fund balances	<u>14,975,218</u>	<u>29,855,901</u>	<u>3,453,083</u>	<u>48,284,202</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 16,905,556</u>	<u>\$ 30,116,066</u>	<u>\$ 4,268,314</u>	<u>\$ 51,289,936</u>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

Fund balances - total governmental funds		\$ 48,284,202
<p>Amounts reported for governmental activities in the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	112,710,000	
Less accumulated depreciation	<u>36,633,593</u>	76,076,407
<p>Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental fund</p>		
Governmental bonds payable, certificates of participation and installment purchases	(48,915,290)	
Accrued vacation payable	(1,701,891)	
Bond premium	<u>(1,311,733)</u>	(51,928,914)
<p>Unearned revenue in governmental funds is susceptible to full accrual on the entity-wide statements</p>		
Unearned revenue		321,602
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds</p>		
The assets and liabilities of the internal service funds that are reported within governmental activities		<u>1,440,170</u>
Net assets of governmental activities		<u>\$ 74,193,467</u>

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, 2005

	General	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 32,709,115	\$ -	\$ 73,474	\$ 32,782,589
Licenses and permits	1,512,168	-	-	1,512,168
Fines and forfeitures	23,043	-	-	23,043
Intergovernmental revenues				
Federal government	25,179	-	3,845,298	3,870,477
State government	4,808,809	66,915	791,735	5,667,459
Other	355,583	414,287	75,000	844,870
Charges for services	2,786,525	35,575	-	2,822,100
Interest on investments	289,699	111,640	41,310	442,649
Franchise rental fees	-	-	59,769	59,769
Dwelling rental	-	-	332,327	332,327
Program income	-	-	24,101	24,101
Cable Public Access Reserves	-	-	115,002	115,002
Library donations	-	-	107,786	107,786
Other	777,164	-	263,022	1,040,186
	<u>43,287,285</u>	<u>628,417</u>	<u>5,728,824</u>	<u>49,644,526</u>
Total revenues				
<b>EXPENDITURES</b>				
General government	3,763,510	-	-	3,763,510
Environment and development	13,044,977	-	5,920,074	18,965,051
Public safety	15,342,852	-	-	15,342,852
Leisure activities	4,118,714	-	-	4,118,714
Nondepartmental	1,324,805	-	-	1,324,805
Capital projects	-	3,340,376	1,331,709	4,672,085
Debt service:				
Principal	-	-	1,675,000	1,675,000
Interest and fiscal charges	-	-	884,070	884,070
	<u>37,594,858</u>	<u>3,340,376</u>	<u>9,810,853</u>	<u>50,746,087</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,692,427	(2,711,959)	(4,082,029)	(1,101,561)

Continued

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005

	General	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ -	\$ 31,311,733	\$ (345,000)	\$ 30,966,733
Transfer from other funds	615,342	94,961	4,271,511	4,981,814
Transfer to other funds	(3,940,431)	-	(49,670)	(3,990,101)
Total other financing sources (uses)	<u>(3,325,089)</u>	<u>31,406,694</u>	<u>3,876,841</u>	<u>31,958,446</u>
NET CHANGE IN TOTAL FUND BALANCES	<u>2,367,338</u>	<u>28,694,735</u>	<u>(205,188)</u>	<u>30,856,885</u>
FUND BALANCES, BEGINNING AS PREVIOUSLY REPORTED	11,772,637	1,161,166	3,658,271	16,592,074
Prior period adjustment (Note J)	<u>835,243</u>	<u>-</u>	<u>-</u>	<u>835,243</u>
FUND BALANCES, BEGINNING AS RESTATED	<u>12,607,880</u>	<u>1,161,166</u>	<u>3,658,271</u>	<u>17,427,317</u>
FUND BALANCES, ENDING	<u>\$ 14,975,218</u>	<u>\$ 29,855,901</u>	<u>\$ 3,453,083</u>	<u>\$ 48,284,202</u>

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

## GOVERNMENTAL FUNDS

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

Year Ended June 30, 2005

Net change in fund balances - total governmental funds	30,856,885
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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	10,365,572	
Current year's depreciation	3,304,652	7,060,920

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, etc.) is to decrease net assets.	(861,947)
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Repayment of long term debt principal is considered an expenditure in the governmental funds, but their repayment reduces long-term liabilities in the statement of net assets.

Principal payments	1,675,000
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The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net assets.	(31,311,733)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund

Change in long-term compensated absences and separation allowance	(155,186)
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Internal service funds are used by management to charge the costs of certain activities to individual funds

316,113
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Change in net assets of governmental activities	\$ 7,580,052
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The notes to the financial statements are an integral part of this statement.

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## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 22,492,225	\$ 22,533,066	\$ 22,871,086	\$ 338,020
Ad valorem taxes - prior years	91,300	91,300	92,771	1,471
Interest on delinquent taxes	30,000	30,000	44,190	14,190
Local option sales taxes	7,384,700	7,384,700	8,456,040	1,071,340
Occupancy tax	580,000	580,000	675,295	95,295
Other taxes	437,000	437,000	569,733	132,733
Total taxes	31,015,225	31,056,066	32,709,115	1,653,049
Licenses and permits				
Motor vehicles	417,000	417,000	428,024	11,024
Privilege licenses	165,000	165,000	179,361	14,361
Building permits	604,950	604,950	674,146	69,196
Special use permits	14,000	14,000	115,500	101,500
Fire inspection fees	3,000	3,000	16,794	13,794
Traffic impact study fees	-	67,810	68,969	1,159
Police permits	15,000	15,000	29,374	14,374
Total licenses and permits	1,218,950	1,286,760	1,512,168	225,408
Fines and forfeitures				
Garbage citations and leash law fees	12,500	12,500	4,085	(8,415)
Parking tickets and towing fees	20,000	20,000	18,958	(1,042)
Total fines and forfeitures	32,500	32,500	23,043	(9,457)

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
Transportation planning	\$ 40,000	\$ 44,614	\$ (10,575)	\$ (55,189)
Police aid	-	-	26,454	26,454
Solar grant	-	-	9,300	9,300
Total federal government	<u>40,000</u>	<u>44,614</u>	<u>25,179</u>	<u>(19,435)</u>
State of North Carolina				
Beer and wine tax	205,000	205,000	227,888	22,888
Fuel tax (Powell Bill) funds	1,315,000	1,315,000	1,473,800	158,800
Utility franchise tax	2,040,000	2,040,000	2,135,011	95,011
State fire protection	850,000	850,000	849,764	(236)
Durham Tech contribution	-	6,454	6,454	-
State library aid	38,000	38,000	36,786	(1,214)
UNC contribution	-	-	79,106	79,106
Total State of North Carolina	<u>4,448,000</u>	<u>4,454,454</u>	<u>4,808,809</u>	<u>354,355</u>
Other				
Orange County recreational support	83,898	83,898	83,760	(138)
Orange County library contribution	250,000	250,000	249,333	(667)
Carrboro GIS contribution	-	17,990	17,990	-
Carrboro planning contribution	-	-	4,500	4,500
Total other	<u>333,898</u>	<u>351,888</u>	<u>355,583</u>	<u>3,695</u>
Total intergovernmental revenues	<u>4,821,898</u>	<u>4,850,956</u>	<u>5,189,571</u>	<u>338,615</u>

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 132,000	\$ 132,000	\$ 148,085	\$ 16,085
Street cuts, signing and marking	356,100	356,100	283,196	(72,904)
Fire districts	500	500	628	128
Solid waste collection	389,000	389,000	390,065	1,065
Planning review	169,500	169,500	138,554	(30,946)
Turnaround client fees	20,000	20,000	23,250	3,250
Recreation	323,950	323,950	419,568	95,618
Charges to other funds	1,436,235	1,436,235	1,383,179	(53,056)
Total charges for services	2,827,285	2,827,285	2,786,525	(40,760)
Interest on investments	111,200	111,200	289,699	178,499
Other				
Sales - planning and documents	9,500	9,500	15,115	5,615
Sales - fixed assets	-	-	4,945	4,945
Sales - miscellaneous	21,800	21,800	45,906	24,106
Cemetery lot sales	75,000	75,000	73,350	(1,650)
Court fees	36,000	36,000	43,751	7,751
Mutual aid reimbursements	311,800	311,800	298,887	(12,913)
Miscellaneous	125,000	210,850	295,210	84,360
Total other revenues	579,100	664,950	777,164	112,214
TOTAL REVENUES	40,606,158	40,829,717	43,287,285	2,457,568

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Mayor/Council	\$ 339,481	\$ 402,858	\$ 361,836	\$ 41,022
Manager/Clerk	1,068,311	1,084,326	1,072,012	12,314
Human Resources	614,415	625,853	551,515	74,338
Finance	986,651	1,006,501	923,273	83,228
Information Technology	704,512	859,309	611,832	247,477
Legal	247,118	249,877	243,042	6,835
Total general government	<u>3,960,488</u>	<u>4,228,724</u>	<u>3,763,510</u>	<u>465,214</u>
Environment and development				
Planning	1,112,087	1,262,857	1,131,970	130,887
Inspections	760,210	789,868	758,653	31,215
Engineering	916,312	1,091,712	1,043,372	48,340
Public Works	10,761,566	10,797,000	10,110,982	686,018
Total environment and development	<u>13,550,175</u>	<u>13,941,437</u>	<u>13,044,977</u>	<u>896,460</u>
Public safety				
Police	10,080,655	10,168,178	9,770,102	398,076
Fire	5,575,478	5,762,131	5,572,750	189,381
Total public safety	<u>15,656,133</u>	<u>15,930,309</u>	<u>15,342,852</u>	<u>587,457</u>
Leisure activities				
Parks and recreation	2,318,311	2,324,695	2,139,872	184,823
Library	2,014,554	2,026,837	1,978,842	47,995
Total leisure activities	<u>4,332,865</u>	<u>4,351,532</u>	<u>4,118,714</u>	<u>232,818</u>
Nondepartmental	<u>1,557,839</u>	<u>1,788,875</u>	<u>1,324,805</u>	<u>464,070</u>
Total expenditures	<u>39,057,500</u>	<u>40,240,877</u>	<u>37,594,858</u>	<u>2,646,019</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,548,658	588,840	5,692,427	5,103,587

Continued

## GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	159,842	159,842	168,342	8,500
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer from Stormwater Fund	402,000	402,000	402,000	-
Transfer to Debt Service Fund	(2,782,500)	(2,782,500)	(2,782,500)	-
Transfer to Capital Projects Ordinance Fund	-	(90,291)	(90,291)	-
Transfer to Capital Projects Fund	(872,000)	(944,000)	(944,000)	-
Transfer to Grants Fund	-	(120,570)	(121,803)	(1,233)
Transfer to Stormwater Fund	-	(6,500)	(1,837)	4,663
Appropriated fund balance	1,499,000	2,748,179	-	(2,748,179)
Total other financing sources (uses)	(1,548,658)	(588,840)	(3,325,089)	(2,736,249)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	2,367,338	\$ 2,367,338
FUND BALANCE, BEGINNING AS PREVIOUSLY REPORTED			11,772,637	
Prior period adjustment (Note J)			835,243	
FUND BALANCE, BEGINNING AS RESTATED			12,607,880	
FUND BALANCE, ENDING			\$ 14,975,218	

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	Transportation Fund	Parking Facilities Fund	Stormwater Management Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 4,239,194	\$ 1,078,027	\$ 249,400
Receivables:			
Accounts receivable, net	13,880	10,835	54,871
Due from other funds	108,892	-	-
Governmental units and agencies	-	-	-
Other	-	557	-
Prepaid items	-	-	2,000
Inventories	352,108	-	-
Total current assets	<u>4,714,074</u>	<u>1,089,419</u>	<u>306,271</u>
<b>NONCURRENT ASSETS</b>			
Restricted assets:			
Restricted cash and cash equivalents	-	-	-
Deferred charges	-	308,833	-
Total restricted assets	<u>-</u>	<u>308,833</u>	<u>-</u>
Capital assets:			
Land and other non-depreciable assets	3,194,460	2,749,838	-
Other capital assets, net of accumulated depreciation	10,516,700	3,587,039	-
Total capital assets, net	<u>13,711,160</u>	<u>6,336,877</u>	<u>-</u>
Total noncurrent assets	<u>13,711,160</u>	<u>6,645,710</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>18,425,234</u>	<u>7,735,129</u>	<u>306,271</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	183,111	39,935	11,573
Accrued liabilities	456,438	88,499	29,181
Compensated absences	290,445	26,111	3,926
Installment purchase agreements	-	-	-
Certificates of participation	-	235,000	-
Total current liabilities	<u>929,994</u>	<u>389,545</u>	<u>44,680</u>
<b>NONCURRENT LIABILITIES</b>			
Compensated absences	-	11,234	10,543
Installment purchase agreements	-	-	-
Certificates of participation	-	5,925,000	-
Total noncurrent liabilities	<u>-</u>	<u>5,936,234</u>	<u>10,543</u>
Total liabilities	<u>929,994</u>	<u>6,325,779</u>	<u>55,223</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,711,160	176,877	-
Restricted	-	-	-
Unrestricted	3,784,080	1,232,473	251,048
Total net assets	<u>\$ 17,495,240</u>	<u>\$ 1,409,350</u>	<u>\$ 251,048</u>

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

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2005	2004	2005	2004
\$ 5,566,621	\$ 2,289,959	\$ 659,267	\$ 187,407
79,586	15,135	53,615	19,437
108,892	262,740	-	-
-	933,722	-	-
557	1,297	-	-
2,000	-	-	-
352,108	312,335	97,272	74,440
<u>6,109,764</u>	<u>3,815,188</u>	<u>810,154</u>	<u>281,284</u>
-	-	894,107	1,249,210
308,833	325,833	-	-
<u>308,833</u>	<u>325,833</u>	<u>894,107</u>	<u>1,249,210</u>
5,944,298	4,789,425	-	-
14,103,739	15,957,960	3,261,960	3,269,271
<u>20,048,037</u>	<u>20,747,385</u>	<u>3,261,960</u>	<u>3,269,271</u>
20,356,870	21,073,218	4,156,067	4,518,481
<u>26,466,634</u>	<u>24,888,406</u>	<u>4,966,221</u>	<u>4,799,765</u>
234,619	264,642	174,333	113,973
574,118	341,275	66,882	53,228
320,482	16,889	-	-
-	-	945,077	1,101,697
235,000	220,000	-	-
<u>1,364,219</u>	<u>842,806</u>	<u>1,186,292</u>	<u>1,268,898</u>
21,777	282,397	-	-
-	-	2,339,759	2,406,810
5,925,000	6,160,000	-	-
<u>5,946,777</u>	<u>6,442,397</u>	<u>2,339,759</u>	<u>2,406,810</u>
<u>7,310,996</u>	<u>7,285,203</u>	<u>3,526,051</u>	<u>3,675,708</u>
13,888,037	14,367,385	(22,876)	(239,236)
-	-	894,107	1,249,210
5,267,601	3,235,818	568,939	114,083
<u>\$ 19,155,638</u>	<u>\$ 17,603,203</u>	<u>\$ 1,440,170</u>	<u>\$ 1,124,057</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	Transportation Fund	Parking Facilities Fund	Stormwater Management Fund
<b>OPERATING REVENUES</b>			
Charges for services	\$ 406,998	\$ 1,933,579	\$ 1,708,292
<b>OPERATING EXPENSES</b>			
Personnel	8,160,317	638,053	289,168
Depreciation and amortization	1,385,638	391,485	-
Fuel and tires	899,229	-	-
Indirect costs	751,543	55,024	576,612
Maintenance and repairs	371,919	-	-
Other	756,659	295,719	199,886
Total operating expenses	<u>12,325,305</u>	<u>1,380,281</u>	<u>1,065,666</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(11,918,307)</u>	<u>553,298</u>	<u>642,626</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Federal Operating Assistance Grant	1,024,577	-	-
State Operating Assistance Grant	2,894,246	-	-
University of North Carolina and Town of Carrboro operating assistance	5,633,005	-	-
Vehicle Licenses	142,675	-	-
Ad valorem taxes	2,623,385	-	-
Interest on investments	70,815	18,058	8,585
Interest expense	-	(234,025)	-
Bond issuance expense	-	-	-
Other	(132,636)	-	-
Total nonoperating revenues (expenses), net	<u>12,256,067</u>	<u>(215,967)</u>	<u>8,585</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	337,760	337,331	651,211
<b>CAPITAL CONTRIBUTIONS</b>	<u>1,217,846</u>	<u>-</u>	<u>-</u>
<b>TRANSFERS</b>			
Transfers in	1,315,724	-	1,837
Transfers out	(1,738,932)	(168,342)	(402,000)
Total transfers	<u>(423,208)</u>	<u>(168,342)</u>	<u>(400,163)</u>
<b>CHANGE IN NET ASSETS</b>	1,132,398	168,989	251,048
<b>NET ASSETS, BEGINNING</b>	<u>16,362,842</u>	<u>1,240,361</u>	<u>-</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 17,495,240</u>	<u>\$ 1,409,350</u>	<u>\$ 251,048</u>

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



Exhibit 9

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2005	2004	2005	2004
\$ 4,048,869	\$ 2,279,390	\$ 2,279,978	\$ 2,238,396
9,087,538	8,008,047	492,144	452,385
1,777,123	2,000,384	894,864	1,043,641
899,229	629,544	-	-
1,383,179	734,179	-	-
371,919	430,764	-	-
1,252,264	1,058,683	590,325	681,372
<u>14,771,252</u>	<u>12,861,601</u>	<u>1,977,333</u>	<u>2,177,399</u>
<u>(10,722,383)</u>	<u>(10,582,211)</u>	<u>302,645</u>	<u>60,997</u>
1,024,577	932,000	-	-
2,894,246	2,463,045	-	-
-	-	-	-
5,633,005	5,087,681	-	-
142,675	139,950	-	-
2,623,385	2,190,261	-	-
97,458	25,071	11,176	6,859
(234,025)	(175,072)	(105,088)	(117,834)
-	(182,810)	-	-
<u>(132,636)</u>	<u>92,830</u>	<u>107,380</u>	<u>42,435</u>
<u>12,048,685</u>	<u>10,572,956</u>	<u>13,468</u>	<u>(68,540)</u>
1,326,302	(9,255)	316,113	(7,544)
<u>1,217,846</u>	<u>599,175</u>	<u>-</u>	<u>-</u>
1,317,561	1,490,504	-	1,212
<u>(2,309,274)</u>	<u>(1,837,880)</u>	<u>-</u>	<u>-</u>
<u>(991,713)</u>	<u>(347,376)</u>	<u>-</u>	<u>1,212</u>
1,552,435	242,544	316,113	(6,332)
<u>17,603,203</u>	<u>17,360,659</u>	<u>1,124,057</u>	<u>1,130,389</u>
<u>\$ 19,155,638</u>	<u>\$ 17,603,203</u>	<u>\$ 1,440,170</u>	<u>\$ 1,124,057</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	<b>Transportation Fund</b>	<b>Parking Facilities Fund</b>	<b>Stormwater Management Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 1,336,135	\$ 1,929,324	\$ 1,653,421
Payments to employees	(7,977,887)	(588,318)	(245,518)
Payments to suppliers	(2,894,823)	(299,638)	(766,925)
Net cash provided by (used in) operating activities	<u>(9,536,575)</u>	<u>1,041,368</u>	<u>640,978</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Grant funds received	3,918,823	-	-
Operating assistance received	5,633,005	-	-
Taxes and licenses received	2,766,060	-	-
Transfers to other funds	(1,738,932)	(168,342)	(402,000)
Transfers from other funds	1,315,724	-	1,837
Loan to special revenue fund	153,848	-	-
Other	(132,636)	-	-
Net cash provided by (used in) noncapital financing activities	<u>11,915,892</u>	<u>(168,342)</u>	<u>(400,163)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from installment purchase agreements	-	-	-
Proceeds from refinancing of Certificates of Participation	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	(220,000)	-
Interest paid on Certificates of Participation and installment purchase agreements	-	(234,025)	-
Bond issuance costs	-	-	-
Sale of fixed assets	-	-	-
Loss on disposal of fixed assets	140,071	-	-
Capital contributions	1,217,846	-	-
Acquisition and construction of capital assets	(1,217,846)	-	-
Net cash provided by (used in) capital and related financing activities	<u>140,071</u>	<u>(454,025)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	<u>70,815</u>	<u>18,058</u>	<u>8,585</u>
Net cash provided by investing activities	<u>70,815</u>	<u>18,058</u>	<u>8,585</u>

Continued

Exhibit 10

Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
2005	2004	2005	2004
\$ 4,918,880	\$ 1,184,758	\$ 2,245,800	\$ 2,226,900
(8,811,723)	(8,042,589)	(478,490)	(461,578)
<u>(3,961,386)</u>	<u>(2,939,921)</u>	<u>(552,796)</u>	<u>(615,244)</u>
<u>(7,854,229)</u>	<u>(9,797,752)</u>	<u>1,214,514</u>	<u>1,150,078</u>
3,918,823	3,395,045	-	-
5,633,005	5,087,681	-	-
2,766,060	2,330,211	-	-
(2,309,274)	(1,837,880)	-	-
1,317,561	1,490,504	-	1,212
153,848	-	-	-
<u>(132,636)</u>	<u>90,805</u>	<u>10,718</u>	<u>16,335</u>
<u>11,347,387</u>	<u>10,556,366</u>	<u>10,718</u>	<u>17,547</u>
-	-	878,400	1,218,100
-	340,000	-	-
(220,000)	(310,000)	(1,102,071)	(1,158,897)
-	-	-	-
(234,025)	(175,072)	(105,088)	(117,834)
-	(204,950)	-	-
-	2,025	118,310	26,100
140,071	-	-	-
1,217,846	599,175	-	-
<u>(1,217,846)</u>	<u>(658,825)</u>	<u>(909,201)</u>	<u>(941,291)</u>
<u>(313,954)</u>	<u>(407,647)</u>	<u>(1,119,650)</u>	<u>(973,822)</u>
<u>97,458</u>	<u>25,071</u>	<u>11,176</u>	<u>6,858</u>
<u>97,458</u>	<u>25,071</u>	<u>11,176</u>	<u>6,858</u>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS (continued)**  
**YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	<b>Transportation Fund</b>	<b>Parking Facilities Fund</b>	<b>Stormwater Management Fund</b>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	2,590,203	437,059	249,400
CASH AND INVESTMENTS, BEGINNING	1,648,991	640,968	-
CASH AND INVESTMENTS, ENDING	<u>\$ 4,239,194</u>	<u>\$ 1,078,027</u>	<u>\$ 249,400</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (11,918,307)	\$ 553,298	\$ 642,626
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,385,638	391,485	-
Changes in assets and liabilities:			
Receivables	929,137	(4,255)	(54,871)
Prepaid items	-	-	(2,000)
Inventories	(39,773)	-	-
Deferred charges	-	17,000	-
Accounts payable	(75,700)	34,105	11,573
Accrued liabilities	155,449	48,213	29,181
Accrued compensated absences	26,981	1,522	14,469
Net cash provided by (used in) operating activities	<u>\$ (9,536,575)</u>	<u>\$ 1,041,368</u>	<u>\$ 640,978</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	
2005	2004	2005	2004
3,276,662	376,038	116,758	200,661
<u>2,289,959</u>	<u>1,913,921</u>	<u>1,436,617</u>	<u>1,235,956</u>
\$ 5,566,621	\$ 2,289,959	\$ 1,553,375	\$ 1,436,617
\$ (10,722,383)	\$ (10,582,211)	\$ 302,645	\$ 60,997
1,777,123	2,000,384	894,864	1,043,642
870,011	(1,094,632)	(34,178)	(11,496)
(2,000)	295	-	-
(39,773)	(61,382)	(22,832)	3,176
17,000	(158,390)	-	-
(30,022)	132,726	60,361	62,952
232,843	(5,752)	13,654	(9,193)
42,972	(28,790)	-	-
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
\$ (7,854,229)	\$ (9,797,752)	\$ 1,214,514	\$ 1,150,078

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**TOWN OF CHAPEL HILL, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

**2. Basis of Presentation – Government-wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. The Town has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In accordance with North Carolina General Statutes, all governmental funds of the Town are maintained during the year using the modified accrual basis of accounting. The governmental fund financial statements are reported on this same basis and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the subsequent year.

Durham and Orange Counties are responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the Town of Chapel Hill. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Durham and Orange Counties from March 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes, which were billed during this period, are shown as a receivable in these financial statements and are offset by



deferred revenues. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the 2005-2006 fiscal year and are not shown as receivables at June 30, 2005. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005, because they are intended to finance the Town's operations during the 2006 fiscal year.

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 deferred revenues.

The Town reports the following major governmental funds:

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

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

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred. As permitted by accounting principles generally accepted in the United States of America, the Town of Chapel Hill and the OWASA have elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in their accounting and reporting practices for their proprietary operations, as well as the government-wide statements.

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

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

Transportation 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.

Stormwater Management Fund - This fund is used to account for the operations of the Town's Stormwater Management department.

Additionally, the Town reports the internal service funds as follows:

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

4. Budgetary Control

As required by North Carolina General Statutes, balanced budgets are adopted for every fund on either an annual or project life basis. A chart follows, organized by fund type, showing each fund's budget period.

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

The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Town Council. The budgets in the supplemental section represent the budget as amended through June 30, 2005.

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

The Council's schedule for developing the 2004-05 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. Forums were held in January and March. A public hearing was held on the proposed budget in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 14, 2004.

In March of each year, OWASA requests information from various departments to project the amount of appropriations for each department manager so that a budget may be prepared. The proposed budget is presented to OWASA's board for review and approval before the end of April.

#### 5. Deposits and Investments

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

State law [§159-30(c)] authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

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. The NCCMT Term Portfolio's securities are valued at fair value. 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 Special Revenue Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the Vehicle Replacement and Computer Replacement Internal Service Funds represents unspent loan proceeds restricted for the future

purchase of equipment. Proceeds from the issuance of bonds and certificates of participation in the Capital Projects Ordinance Fund are restricted for capital projects.

#### 7. Restricted Assets

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

#### 8. Property Tax Receivable

In accordance with State statutes [§105-347 and §159-13(a)], property taxes levied on July 1, the beginning of the fiscal year, are due September 1; however, penalties do not accrue until the following January 6, and property becomes subject to lien. Liens are published the following May. The taxes levied are based on the assessed values as of January 1.

#### 9. Allowances for doubtful accounts

Allowances for doubtful accounts are maintained on all types of receivables which have historically experienced uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

#### 10. Inventories

The Town's inventories are maintained for the supplies, fuel and parts of the General Fund, the Public Housing Operating Fund, the Vehicle Maintenance Fund and the Transportation Fund. The General Fund and the Public Housing Operating Fund use the consumption method for inventories under which inventory items are considered expenditures when used, rather than when purchased. The Town's inventories are valued at cost (first-in, first-out) or weighted average method, which approximates market.

OWASA's materials and supplies inventories are valued at average cost.

#### 11. Deferred Charges

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

The cost of OWASA's patent development is being amortized on a straight-line basis over the remaining useful life, not to exceed fifteen years.

#### 12. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported under governmental or business-type activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an

estimated useful life in excess of one year for the Town and as having an individual cost of more than \$1,000 and an estimated useful life in excess of two years for OWASA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed by OWASA. The Town does not capitalize interest during the construction phase due to the insignificance of amounts.

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

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

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

### 13. Long-term Obligations

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

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

14. Compensated Absences

It is the Town’s and OWASA’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since neither the Town nor OWASA has a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide financial statement, but is limited to thirty days.

15. Deferred and Unearned Revenues

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

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
Reserve for taxes receivable	\$ 172,688	\$ 6,243	\$ 178,931
Reserve for other receivables	11,721	130,950	142,671
	<b>\$ 184,409</b>	<b>\$ 137,193</b>	<b>\$ 321,602</b>

16. Net Assets and Fund Balances

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

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

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

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for encumbrances - represents fund balance available for appropriation to pay for commitments related to unperformed contracts.

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

Reserved for capital improvements - represents amounts of fund balances reserved for future expenditures for capital improvements.

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

Reserved for inventories - represents total amount of inventories in the General Fund and Special Revenue Funds.

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

Reserved for special revenue purposes - represents amounts of fund balances reserved for certain future special revenue expenditures, including reserves for community development, interest subsidies, land in trust and aid to library operations.

Unreserved:

Designated for subsequent year's expenditures - represents the amount of fund balance appropriated that has been designated for the adopted 2005-06 budget ordinance.

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

#### 17. Use of Estimates

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

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

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

#### C. Deposits

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

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

Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and OWASA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or OWASA or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or OWASA under the Pooling Method, the potential exists for undercollateralization, 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.

At year-end, the Town's deposits had a carrying amount of \$25,072,320 and a bank balance of \$25,400,518. Of the bank balance, \$315,072 was covered by federal depository insurance, \$963,348 was covered by collateral held under the Dedicated Method and \$24,122,098 was covered by collateral held under the Pooling Method. The Town had cash on hand of \$3,945 at year end.

At year-end, OWASA's deposits had a carrying amount of \$2,167,904 and a bank balance of \$2,323,188. Of the bank balance, \$198,472 was covered by federal depository insurance and \$2,124,716 in interest-bearing deposits were covered by collateral held under the pooling method. The OWASA had cash on hand of \$775 at June 30, 2005.

#### D. Investments

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

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

At June 30, 2005, the Town had \$29,091,832 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

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

	<b>Fair Value</b>
US Government Treasuries	\$ 244,326
Commercial Paper	6,511,432
The North Carolina Capital Management Trust, a mutual fund	21,594,291
	<u>\$ 28,350,049</u>



Restricted cash and investments of OWASA at June 30, 2005 are as follows:

Capital Reserve Fund	\$ 2,075,935
Power Account Fund	244,326
Construction Fund	16,794,642
Bond Service Fund	4,799,649
	<u>\$ 23,914,552</u>

*Interest Rate Risk.* The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2005, the Authority's maturities for the US Government Treasuries and commercial paper are less than six months. The North Carolina Capital Management Trust has a weighted average maturity of 0.9 years as of June 30, 2005.

*Credit risk.* The Authority has no policy regarding credit risk. The investments in US Government Treasuries are rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). As of June 30, 2005, the Authority's investments in commercial paper were rated PI by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The Authority's investment in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005.

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

Receivables as of year-end for the governmental and the proprietary funds are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Property taxes, net	\$ 172,687	\$ -
Due from other governmental agencies	3,581,594	-
Due from other funds	17,454	108,892
Other, net	291,176	80,143
	<u>\$ 4,062,911</u>	<u>\$ 189,035</u>

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

Governmental activities, allowance for uncollectible property taxes	\$ 417,982
Governmental activities, allowance for doubtful other receivables	\$ 928

**F. Capital Assets**

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2005 follows:

	July 1, 2004	Increases	Decreases	June 30, 2005
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 23,862,553	\$ 898,236	\$ -	\$ 24,760,789
Construction in progress	7,311,887	4,057,602	1,008,245	10,361,244
Total capital assets, not being depreciated	31,174,440	4,955,838	1,008,245	35,122,033
Capital assets, being depreciated:				
Land improvements	5,210,104	109,173	-	5,319,277
Infrastructure	25,297,800	2,827,440	-	28,125,240
Buildings and building improvements	36,030,325	1,177,303	-	37,207,628
Equipment and vehicles	15,750,864	1,295,817	2,564,987	14,481,694
Total capital assets, being depreciated	82,289,093	5,409,733	2,564,987	85,133,839
Accumulated depreciation:				
Land improvements	777,399	232,920	-	1,010,319
Infrastructure	9,510,154	1,238,108	-	10,748,262
Buildings and building improvements	17,529,507	1,528,232	-	19,057,739
Equipment and vehicles	11,360,044	1,200,256	2,459,115	10,101,185
Total accumulated depreciation	39,177,104	4,199,516	2,459,115	40,917,505
Total capital assets, being depreciated, net	43,111,989	1,210,217	105,872	44,216,334
Governmental activities capital assets, net	\$ 74,286,429	\$ 6,166,055	\$ 1,114,117	\$ 79,338,367

	July 1, 2004	Increases	Decreases	June 30, 2005
<b>Business-type activities:</b>				
Transportation Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,039,587	\$ -	\$ -	\$ 2,039,587
Construction in progress	-	1,154,873	-	1,154,873
Total capital assets, not being depreciated	2,039,587	1,154,873	-	3,194,460
Capital assets, being depreciated:				
Land improvements	3,721,748	-	-	3,721,748
Buildings and building improvements	1,355,640	-	-	1,355,640
Equipment	21,360,794	62,973	2,022,254	19,401,513
Total capital assets, being depreciated	26,438,182	62,973	2,022,254	24,478,901
Accumulated depreciation:				
Land improvements	1,752,733	187,303	-	1,940,036
Buildings and building improvements	1,290,095	13,148	-	1,303,243
Equipment	11,415,918	1,185,187	1,882,182	10,718,923
Total accumulated depreciation	14,458,746	1,385,638	1,882,182	13,962,202
Total capital assets, being depreciated, net	11,979,436	(1,322,665)	140,072	10,516,699
Transportation fund capital assets, net	\$ 14,019,023	\$ (167,792)	\$ 140,072	\$ 13,711,159
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,749,838	\$ -	\$ -	\$ 2,749,838
Total capital assets, not being depreciated	2,749,838	-	-	2,749,838
Capital assets, being depreciated:				
Land improvements	382,210	-	-	382,210
Buildings and building improvements	7,274,132	-	-	7,274,132
Equipment	248,968	-	-	248,968
Total capital assets, being depreciated	7,905,310	-	-	7,905,310
Accumulated depreciation:				
Land improvements	279,767	11,797	-	291,564
Buildings and building improvements	3,461,498	363,108	-	3,824,606
Equipment	185,521	16,579	-	202,100
Total accumulated depreciation	3,926,786	391,484	-	4,318,270
Total capital assets, being depreciated, net	3,978,524	(391,484)	-	3,587,040
Parking facilities fund capital assets, net	\$ 6,728,362	\$ (391,484)	\$ -	\$ 6,336,878
Business-type activities capital assets, net	\$ 20,747,385	\$ (559,276)	\$ 140,072	\$ 20,048,037

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

Governmental activities:

General government	\$ 186,932
Environment and development	2,240,161
Public safety	295,806
Leisure activities	581,753
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the	894,864
<b>Total depreciation expense - governmental activities</b>	<b>\$ 4,199,516</b>

Business-type activities:

Transportation	\$ 1,385,638
Parking facilities	391,484
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,777,122</b>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2005, follows:

	<b>July 1, 2004</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2005</b>
Capital assets, not being depreciated:				
Land	\$ 16,396,297	\$ 301,910	\$ -	\$ 16,698,207
Construction in progress	28,977,356	28,604,091	14,683,457	42,897,990
<b>Total capital assets, not being depreciated</b>	<b>45,373,653</b>	<b>28,906,001</b>	<b>14,683,457</b>	<b>59,596,197</b>
Capital assets, being depreciated:				
Water treatment and distribution	102,682,251	3,128,846	-	105,811,097
Sewer collection and treatment	94,746,225	1,985,296	-	96,731,521
Fixtures and equipment	23,087,097	10,856,590	535,310	33,408,377
Assets under capital lease obligation	260,596	-	-	260,596
<b>Total capital assets, being depreciated</b>	<b>220,776,169</b>	<b>15,970,732</b>	<b>535,310</b>	<b>236,211,591</b>
Less accumulated depreciation for:				
Water treatment and distribution	23,124,508	2,544,501	-	25,669,009
Sewer collection and treatment	21,331,455	2,305,848	-	23,637,303
Fixtures and equipment	12,155,683	1,688,433	456,732	13,387,384
Assets under capital lease obligation	260,596	-	-	260,596
<b>Total accumulated depreciation</b>	<b>56,872,242</b>	<b>6,538,782</b>	<b>456,732</b>	<b>62,954,292</b>
<b>Total capital assets, being depreciated, net</b>	<b>163,903,927</b>	<b>9,431,950</b>	<b>78,578</b>	<b>173,257,299</b>
<b>Total capital assets, net</b>	<b>\$ 209,277,580</b>	<b>\$ 38,337,951</b>	<b>\$ 14,762,035</b>	<b>\$ 232,853,496</b>

**G. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities for the Town's governmental and proprietary funds are as follows:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Accounts payable	\$ 1,202,995	\$ 234,619
Accrued payroll and payroll related liabilities	1,157,421	574,118
Deposits	128,639	-
Other accrued liabilities	68,731	320,481
	<u>\$ 2,557,786</u>	<u>\$ 1,129,218</u>

**H. Long-Term Debt**

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2005 are as follows:

Governmental Activities:

General obligation bonds

\$7,190,000 - 1996 serial bonds payable in annual installments of \$360,000 to \$1,380,000 through 2007; interest at 4.6%	\$ 2,175,000
\$1,800,000 - 1996 serial bonds payable in annual installments of \$100,000 through 2015; interest at 4.8% to 5.55%	1,000,000
\$4,550,000 - 1998 serial bonds payable in annual installments of \$100,000 to \$400,000 through 2015; interest at 4.5% to 4.7%	3,275,000
\$4,700,000 - 2000 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2019; interest at 5.2% to 5.4%	3,675,000
\$3,365,000 - 2002 refunding serial bonds payable in annual installments of \$230,000 to \$815,000 through 2010; interest at 3% to 4%	2,650,000
\$4,250,000 - 2003 serial bonds payable in annual installments of \$75,000 to \$300,000 through 2021; interest at 2% to 4%	3,950,000
\$4,000,000 - 2004 serial bonds payable in annual installments of \$200,000 through 2025; interest at 2.5% to 4.5%	4,000,000
Total general obligation bonds	<u>\$ 20,725,000</u>

Installment Notes Payables

Various installment purchase contracts to finance equipment additions; contracts between two and ten years; interest rates between 2.65% and 5.4%; debt secured by the equipment	\$ 1,785,000
Various installment purchase contracts to finance equipment additions; contracts between three and seven years; interest rates between 2.0% and 5.07%; debt secured by the equipment	3,284,836
Total installment notes payables	<u>\$ 5,069,836</u>

Certificates of Participation

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

\$7,340,000 - Certificates of Participation due in annual installments of \$220,000 to \$445,000 through 2024; interest due in semi-annual installments at 3.7% to be paid from the Parking Facilities Fund	<u>\$ 6,160,000</u>
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In addition to the general obligation bonds, installment notes payable and certificates of participation, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences and the law enforcement officers' special separation allowance.

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 2,180,000	\$ 887,200	\$ 3,067,200
2007	1,865,000	795,758	2,660,758
2008	1,865,000	719,263	2,584,263
2009	1,850,000	644,750	2,494,750
2010	1,840,000	567,700	2,407,700
2011-2015	6,300,000	1,877,475	8,177,475
2016-2020	3,700,000	701,225	4,401,225
2021-2025	1,125,000	136,849	1,261,849
	<u>\$ 20,725,000</u>	<u>\$ 6,330,220</u>	<u>\$ 27,055,220</u>

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 1,170,078	\$ 160,128	\$ 1,330,206
2007	954,049	124,710	1,078,759
2008	831,406	94,428	925,834
2009	708,048	66,477	774,525
2010	476,435	43,687	520,122
2011-2014	929,820	50,503	980,323
	<u>\$ 5,069,836</u>	<u>\$ 539,933</u>	<u>\$ 5,609,769</u>

Annual debt service requirements to maturity for certificates of participation are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$ 735,000	\$ 1,316,208	\$ 2,051,208
2007	1,245,000	1,382,955	2,627,955
2008	1,615,000	1,334,298	2,949,298
2009	1,630,000	1,273,768	2,903,768
2010	1,635,000	1,216,095	2,851,095
2011-2015	8,330,000	5,094,362	13,424,362
2016-2020	8,650,000	3,119,634	11,769,634
2021-2025	8,320,000	1,087,003	9,407,003
	<u>\$ 32,160,000</u>	<u>\$ 15,824,323</u>	<u>\$ 47,984,323</u>

Long-term debt activity for the year ended June 30, 2005 was as follows:

	<b>July 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2005</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds	\$ 18,400,000	\$ 4,000,000	\$ 1,675,000	\$ 20,725,000	\$ 2,180,000
Certificates of participation	-	26,000,000	-	26,000,000	500,000
Installment notes payable	6,526,774	878,400	2,335,338	5,069,836	1,170,078
Separation allowance	419,780	-	14,490	405,290	-
Compensated absences	1,532,215	1,431,770	1,223,619	1,740,366	1,223,619
Long-term debt	<u>\$ 26,878,769</u>	<u>\$ 32,310,170</u>	<u>\$ 5,248,447</u>	<u>53,940,492</u>	<u>5,073,697</u>
<b>Business-type activities:</b>					
Certificates of participation	\$ 6,380,000	\$ -	\$ 220,000	\$ 6,160,000	\$ 235,000
Compensated absences	311,374	351,367	320,482	342,259	320,482
Long-term debt	<u>\$ 6,691,374</u>	<u>\$ 351,367</u>	<u>\$ 540,482</u>	<u>\$ 6,502,259</u>	<u>\$ 555,482</u>

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

In accordance with the provisions of the State Constitution and the Local Government Bond Act, as amended, the Town may not, with certain exceptions, have outstanding net bonded debt exceeding 8% of the appraised value of the property subject to taxation. At June 30, 2005, the legal debt margin for the Town was approximately \$310 million.

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

OWASA's long-term debt as of June 30, 2005 consists of the following:

Revenue and revenue refunding bonds payable, Series 2005 Revenue and Revenue Refunding bonds, issued June 9, 2005, with coupon rates of 3.5% to 5.0%, final maturity July 2020, net of unamortized premium and deferred refunding gain of \$257,985 at June 30, 2005	\$ 18,417,015
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 \$675,571 at June 30, 2005; 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 (2.3% at June 30, 2005), final maturity July 2028	41,940,571
Revenue and revenue refunding bonds payable, Series 2003 Revenue and Revenue Refunding Bonds, issued April 9, 2003, with coupon rates of 2.0% to 5.0%, final maturity July 2016, net of unamortized premium and deferred refunding loss of \$574,673 at June 30, 2005	12,280,327
Revenue and revenue refunding bonds payable, Series 2001 Revenue and Revenue Refunding Bonds, issued September 13, 2001, with coupon rates of 3.5% to 5.0%, final maturity July 2026, net of unamortized premium and deferred refunding loss of \$63,124 at June 30, 2005	23,778,124
Revenue and revenue refunding bonds payable, Series 1999 Revenue and Revenue Refunding Bonds, issued April 15, 1999, with coupon rates of 3.5% to 5.25%, final maturity July 2009, net of unamortized premium of \$24,004 at June 30, 2005	3,264,004
	99,680,041
Less current maturities: Bonds payable, net of unamortized premiums and deferred refunding gains and losses	3,274,847
<b>Total long-term debt</b>	<b>\$ 96,405,194</b>



OWASA debt maturities are as follows:

	<b>Amortization of Premiums and Deferred Refunding</b>			
	<b>Maturities</b>	<b>Losses</b>	<b>Total</b>	<b>Interest</b>
2006	\$ 3,290,000	\$ 15,153	\$ 3,274,847	\$ 3,851,556
2007	4,060,000	14,371	4,045,629	4,013,572
2008	3,805,000	14,371	3,790,629	3,880,387
2009	4,285,000	14,371	4,270,629	3,740,608
2010	4,260,000	14,372	4,245,628	3,578,620
2011-2015	23,275,000	217,333	23,057,667	15,030,058
2016-2020	22,080,000	25,208	22,054,792	9,897,539
2021-2025	20,430,000	(141,895)	20,571,895	5,352,863
2026-2030	14,265,000	(103,325)	14,368,325	1,366,525
<b>Total</b>	<b>\$ 99,750,000</b>	<b>\$ 69,959</b>	<b>\$ 99,680,041</b>	<b>\$ 50,711,728</b>

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

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

In 2004, OWASA issued \$41,265,000 of debt, at a premium of \$721,553 in Series 2005 Revenue Bonds to finance construction and improvements.

In 2003, OWASA issued \$13,875,000 of debt, at a premium of \$683,018 in Series 2004 Revenue Refunding Bonds to refund all but two installments of the remaining Series 1993 Revenue Bonds. OWASA irrevocably deposited with a trustee, securities that were used to retire the principal and interest of the refunded bonds as they become due. As of June 30, 2005, the refunded Series are fully redeemed.

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

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

In 1985, OWASA defeased Series 1977A Revenue Bonds by placing the proceeds of new bonds, Series 1985A Revenue Bonds, in an irrevocable trust to provide for all future debt service payments on the old bonds. The gain of \$1,517,000, resulting from the refunding is being amortized over the life of the new issue. In addition to the amounts held in the trust, the trustee also has a security interest in the revenues of OWASA, after provisions have been made for the payment of current expenses, as defined in the Bond Order dated March 7, 1985. The par value of the defeased Series 1977A Revenue Bonds at June 30, 2005 was \$1,980,000.

OWASA's long-term debt activity for the year ended June 30, 2005 is as follows:

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Withing One Year
Bonds payable:					
Revenue bonds	\$ 101,770,000	\$ 350,000	\$ 2,370,000	\$ 99,750,000	\$ 3,290,000
Less deferred amounts:					
For issuance premium	1,735,360	696,269	112,060	2,319,569	143,454
For issuance discounts and deferred refunding	(1,450,815)	(830,258)	108,455	(2,389,528)	(158,607)
<b>Total bonds payable</b>	<b>102,054,545</b>	<b>216,011</b>	<b>2,590,515</b>	<b>99,680,041</b>	<b>3,274,847</b>
Notes payable	23,606	-	23,606	-	-
	<b>\$ 102,078,151</b>	<b>\$ 216,011</b>	<b>\$ 2,614,121</b>	<b>\$ 99,680,041</b>	<b>\$ 3,274,847</b>

#### I. Interfund Receivables, Payables and Transfers

*Interfund receivables and payables.* At June 30, 2005, the statements of the Town include balances due to/from other funds in the amount of \$108,892 due from a nonmajor governmental fund to the Transportation fund. This amount represents the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end.

*Interfund transfers.* A schedule of interfund transfers for the year ended June 30, 2005 is as follows:

Transfers To	Transfers From	Amount
General fund	Parking facility fund	\$ 168,342
General fund	Nonmajor governmental fund	45,000
General fund	Stormwater management fund	402,000
Capital projects ordinance fund	General fund	90,291
Capital projects ordinance fund	Nonmajor governmental fund	4,670
Nonmajor governmental fund	General fund	3,848,303
Stormwater management fund	General fund	1,837
Nonmajor governmental fund	Transportation fund	423,208
		<b>\$ 4,983,651</b>

Each year, the Parking Fund transfers to the General Fund all revenues over expenditures generated by on-street parking. The Library Gift fund transfers an amount to the General Fund each year for the purchase of library books and reference materials. The Stormwater Management Fund transfer to the General Fund of \$402,000 was a one-time reimbursement of startup costs to establish the fund.

The General Fund transfers the amount necessary each year to fund debt service payments and annual capital projects to the Debt Service and Capital Improvement funds. In the year ended June 30, 2005, the General Fund also provided matching funds to the Capital Projects Ordinance Fund in the amount of \$90,291. The General fund also transferred \$121,803 to the Grants fund for local matching requirements for police grants.

J. **Prior Period Adjustment**

During the fiscal year ended June 30, 2005, the Town determined that local option sales taxes that were subject to accrual on a modified accrual basis of accounting in the General Fund as of June 30, 2004 had been omitted. Therefore, an adjustment to beginning fund balance has been recorded to account for that accrual, the net effect of which increased the beginning fund balance by \$835,243.

K. **Employees' Retirement System**

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

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.

Plan members are required to contribute six percent of their annual covered salary. The Town and OWASA are required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is respectively, 4.90% and 4.78% of annual covered payroll. For OWASA, the current rate for employees is 4.89% 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, 2005, 2004, and 2003 were \$1,292,936, \$1,238,062, and \$1,172,362, respectively. OWASA's contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$307,420, \$290,891, and \$295,896, respectively. The contributions made by the Town and OWASA equaled the required contribution for each year.

2. **Law Enforcement Officers Special Separation Allowance**

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, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	18
Active Plan members	<u>103</u>
<b>TOTAL</b>	<b><u>121</u></b>

A separate report was not issued for the plan.

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

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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	\$ 206,295
b	Interest on net pension obligation	30,434
c	Adjustment to annual required contribution	(23,549)
d	Annual pension cost	\$ <u>213,180</u>
e	Employer contributions made for fiscal year ended 6/30/04	227,670
f	Increase in net pension obligation (d) – (e)	\$ (14,490)
g	Net pension obligation, beginning of fiscal year	<u>419,780</u>
h	Net pension obligation, end of fiscal year (f) + (g)	<u><u>\$ 405,290</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2003	195,967	96.44%	398,511
6/30/2004	204,263	89.59%	419,780
6/30/2005	213,180	106.80%	405,290

### 3. Supplemental Retirement Income Plan for Law Enforcement Officers

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.

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, 2005 were \$399,785, which consisted of \$246,500 from the Town and \$153,285 from law enforcement officers.

#### L. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 401(k). The plan is administered by Prudential Investment Management Services. The Town contributes up to 5% of qualified salary. For the year ended June 30, 2005, the contribution of the Town totaled \$1,323,466.

#### M. Other Post-Employment Benefits

In addition to providing pension benefits, the Town has elected to provide post-retirement health benefits to retirees of the Town who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town. The Town pays all or a portion of the cost of coverage for these benefits based on years of service. Also, retirees can purchase coverage for their dependents at the Town's group rates. Currently, 134 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2005, the Town made payments for post-retirement health benefit premiums of \$484,136 and the retirees made payments of \$196,084.

The Town has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer, State administered plan funded on a one-year term cost basis. Lump-sum death benefits are provided to employees 1) who die in active service after one year of contributing membership in the System, or 2) 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. Currently, the Town has nineteen retirees and terminated employees who are eligible to receive death benefits.

The death benefit payment is equal to the employee's 12 highest consecutive months salary during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Trust Plan. The Town has no liability beyond the payment of monthly contributions for the death benefit. Annually, the State sets the Town's monthly contribution rate for death benefits.

Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. For the fiscal year ended June 30, 2005, the Town made contributions to the State for death benefits of \$34,954. The Town's required contribution is based on covered payroll: 0.14% for law enforcement officers and 0.13% for other employees. The contributions to the Death Trust Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Because the benefit payments are made by the various State-administered plans and not by the Town, the Town does not determine the number of eligible participants.

N. **Fund Balance Reserves**

At year-end, the Town's fund balance included the following reserves:

Fund Balance Reserves

General:

Reserve for encumbrances	\$ 1,209,013
Reserve by State Statute	3,250,131
Reserve for capital improvements	531,342
Reserve for police	204,917
Reserve for inventory	1,472
	<u>\$ 5,196,875</u>

Capital Projects Ordinance:

Reserve by State Statute	\$ 279,758
Reserve for capital improvements	29,855,901
	<u>\$ 30,135,659</u>

Other Governmental Funds:

Reserve for encumbrances	\$ 656,035
Reserve by State Statute	534,515
Reserve for community development	30,178
Reserve for capital improvements	431,334
Reserve for debt service	455,089
Reserve for inventory	157,223
Reserve for land in trust	36,111
Reserve for interest subsidies	293,649
Reserve for aid to Library operations	170,663
	<u>\$ 2,764,797</u>

O. **Commitments and Contingencies**

The Town has commitments related to capital improvements of approximately \$1,516,149 at June 30, 2005.

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 \$23,000,000 at June 30, 2005.

The Town and OWASA have 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. Managements of the Town and OWASA believe that any required refunds would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**P. Risk Management**

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

The Town 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, 2004 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.

**Q. Change in Accounting Principle**

The financial statements for the period ended June 30, 2005 reflect a change in accounting principle related to recognition of compensated absences. GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, eliminated the discretion previously available in determining the liability in governmental funds, requiring that liabilities and expenditures be reported only when they are paid or due for payment. As a result, the Town's governmental funds do not reflect \$1,209,982 in expenditures and short-term liabilities that would have been recorded in prior years.

R. **Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

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

- GASB Statement Number 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.”
- GASB Statement Number 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”

Additionally, the Governmental Accounting Standards Board issued Statement Number 44, “Economic Condition Reporting: The Statistical Section” which amends portions of previous guidance related to the preparation of a statistical section when presented as a required part of a comprehensive annual financial report (CAFR).



**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)
12/31/1999	-	1,290,755	1,290,755	-	3,710,978	34.8 %
12/31/2000	-	1,754,732	1,754,732	-	3,783,389	46.4
12/31/2001	-	1,926,984	1,926,984	-	4,429,208	43.5
12/31/2002	-	2,066,393	2,066,393	-	4,331,188	47.7
12/31/2003	-	2,162,511	2,162,511	-	4,364,190	49.5
12/31/2004	-	2,281,109	2,281,109	-	4,604,127	49.5

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

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Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2000	148,037	96.48 %
2001	160,296	99.64
2002	164,966	96.22
2003	188,613	93.27
2004	197,234	92.78
2005	206,295	109.71

Notes to the Required Schedules:

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

Transit Grant Projects Ordinance Fund - This fund is used to account for federal grants restricted for capital equipment, capital improvements and capital planning activities of the Town's public transit system.

Public Housing Operating Fund - This fund is used to account for federal grants restricted for the Town's conventional public housing programs.

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

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

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

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

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

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

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

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

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

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

## CAPITAL PROJECTS FUNDS

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

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

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

## DEBT SERVICE FUND

Debt Service Fund - The Debt Service Fund is used to account for the payment of general obligation long-term debt principal, interest and related costs. Such payments are financed by recurring annual transfers from the General Fund.

## OTHER GOVERNMENTAL FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2005	2004
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,835,285	\$ 761,517	\$ 455,089	\$ 3,051,891	\$ 2,639,705
Receivables					
Governmental units and agencies	406,807	-	-	406,807	741,125
Other	127,708	-	-	127,708	180,714
Due from other funds	17,454	-	-	17,454	30,260
Inventories and other assets	173,761	-	-	173,761	170,443
Restricted cash and cash equivalents	59,359	431,334	-	490,693	949,623
<b>TOTAL ASSETS</b>	<b>\$ 2,620,374</b>	<b>\$ 1,192,851</b>	<b>\$ 455,089</b>	<b>\$ 4,268,314</b>	<b>\$ 4,711,870</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 126,346	\$ -	\$ -	\$ 126,346	\$ 295,743
Accounts payable	306,235	84,682	-	390,917	560,706
Accrued liabilities	107,659	-	-	107,659	53,007
Deferred revenues	130,950	-	-	130,950	90,367
Other	59,359	-	-	59,359	53,777
Total liabilities	730,549	84,682	-	815,231	1,053,600
<b>FUND BALANCES</b>					
Reserved for encumbrances	31,585	624,450	-	656,035	50,203
Reserved by State statute	534,515	-	-	534,515	952,099
Reserved for capital improvements	-	431,334	-	431,334	914,590
Reserved for inventory	157,223	-	-	157,223	170,443
Reserved for debt service	-	-	455,089	455,089	176,247
Reserved for community development	30,178	-	-	30,178	96,751
Reserved for interest subsidies	293,649	-	-	293,649	387,872
Reserved for land in trust	36,111	-	-	36,111	28,957
Reserved for aid to library operations	170,663	-	-	170,663	128,152
Unreserved					
Designated for subsequent year's expenditures	124,076	-	-	124,076	131,818
Undesignated	511,825	52,385	-	564,210	621,138
Total fund balances	1,889,825	1,108,169	455,089	3,453,083	3,658,270
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,620,374</b>	<b>\$ 1,192,851</b>	<b>\$ 455,089</b>	<b>\$ 4,268,314</b>	<b>\$ 4,711,870</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET  
JUNE 30, 2005**

	<b>Transit Special Revenue Fund</b>	<b>Public Housing Operating</b>	<b>Public Housing Projects</b>	<b>Transitional Housing</b>	<b>Revolving Acquisition</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 899,319	\$ 94	\$ 6,752	\$ 234,974
Receivables					
Governmental units and agencies	212,640	-	54,059	-	-
Other	-	37,700	-	-	60,000
Due from other funds	-	-	-	-	-
Inventories and other assets	-	157,223	-	-	-
Restricted cash and cash equivalents	-	59,359	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 212,640</b>	<b>\$ 1,153,601</b>	<b>\$ 54,153</b>	<b>\$ 6,752</b>	<b>\$ 294,974</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ 108,892	\$ 8,222	\$ 9,232	\$ -	\$ -
Accounts payable	34,462	9,300	44,921	6,752	-
Accrued liabilities	6,360	65,085	-	-	-
Unearned revenues	62,926	36,793	-	-	-
Other	-	59,359	-	-	-
<b>Total Liabilities</b>	<b>212,640</b>	<b>178,759</b>	<b>54,153</b>	<b>6,752</b>	<b>-</b>
<b>FUND BALANCES</b>					
Reserved for encumbrances	-	31,585	-	-	-
Reserved by State statute	212,640	37,700	54,059	-	60,000
Reserved for inventory	-	157,223	-	-	-
Reserved for community development	-	-	-	-	-
Reserved for interest subsidies	-	-	-	-	-
Reserved for land in trust	-	-	-	-	-
Reserved for aid to library operations	-	-	-	-	-
Unreserved					
Designated for subsequent year's expenditures	-	124,076	-	-	-
Undesignated	(212,640)	624,258	(54,059)	-	234,974
<b>Total fund balances</b>	<b>-</b>	<b>974,842</b>	<b>-</b>	<b>-</b>	<b>294,974</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 212,640</b>	<b>\$ 1,153,601</b>	<b>\$ 54,153</b>	<b>\$ 6,752</b>	<b>\$ 294,974</b>

Schedule 2

Community Development Entitlement	Downtown Service District	Cable Public Access	Grants Fund	Land Trust Fund	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ 89,107	\$ 43,009	\$ 15,845	\$ 79,651	\$ 2,119	\$ 293,649	\$ 170,766	\$ 1,835,285
-	-	-	140,108	-	-	-	406,807
-	-	30,008	-	-	-	-	127,708
-	-	-	-	-	17,454	-	17,454
-	-	-	-	16,538	-	-	173,761
-	-	-	-	-	-	-	59,359
<u>\$ 89,107</u>	<u>\$ 43,009</u>	<u>\$ 45,853</u>	<u>\$ 219,759</u>	<u>\$ 18,657</u>	<u>\$ 311,103</u>	<u>\$ 170,766</u>	<u>\$ 2,620,374</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,346
40,307	31,447	30,452	108,491	-	-	103	306,235
18,622	-	-	17,592	-	-	-	107,659
-	-	-	31,231	-	-	-	130,950
-	-	-	-	-	-	-	59,359
<u>58,929</u>	<u>31,447</u>	<u>30,452</u>	<u>157,314</u>	<u>-</u>	<u>-</u>	<u>103</u>	<u>730,549</u>
-	-	-	-	-	-	-	31,585
-	-	30,008	140,108	-	-	-	534,515
-	-	-	-	-	-	-	157,223
30,178	-	-	-	-	-	-	30,178
-	-	-	-	-	293,649	-	293,649
-	-	-	-	18,657	17,454	-	36,111
-	-	-	-	-	-	170,663	170,663
-	-	-	-	-	-	-	124,076
-	11,562	(14,607)	(77,663)	-	-	-	511,825
<u>30,178</u>	<u>11,562</u>	<u>15,401</u>	<u>62,445</u>	<u>18,657</u>	<u>311,103</u>	<u>170,663</u>	<u>1,889,825</u>
<u>\$ 89,107</u>	<u>\$ 43,009</u>	<u>\$ 45,853</u>	<u>\$ 219,759</u>	<u>\$ 18,657</u>	<u>\$ 311,103</u>	<u>\$ 170,766</u>	<u>\$ 2,620,374</u>

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)

	Capital Projects	Capital Reserve	Comparative Totals	
			2005	2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 761,517	\$ -	\$ 761,517	\$ 859,071
Due from governmental units and agencies	-	-	-	72,904
Restricted cash and cash equivalents	<u>241,715</u>	<u>189,619</u>	<u>431,334</u>	<u>889,431</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,003,232</u>	<u>\$ 189,619</u>	<u>\$ 1,192,851</u>	<u>\$ 1,821,406</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 84,682</u>	<u>\$ -</u>	<u>\$ 84,682</u>	<u>\$ 338,813</u>
Total liabilities	<u>84,682</u>	<u>-</u>	<u>84,682</u>	<u>338,813</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	624,450	-	624,450	-
Reserved by state statute	-	-	-	72,904
Reserved for capital improvements	241,715	189,619	431,334	889,431
Unreserved				
Undesignated	<u>52,385</u>	<u>-</u>	<u>52,385</u>	<u>520,258</u>
Total fund balances	<u>918,550</u>	<u>189,619</u>	<u>1,108,169</u>	<u>1,482,593</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,003,232</u>	<u>\$ 189,619</u>	<u>\$ 1,192,851</u>	<u>\$ 1,821,406</u>



## OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	Total Special Revenue Funds	Total Capital Projects Funds	Debt Service Fund	Comparative Totals	
				2005	2004
<b>REVENUES</b>					
Taxes	\$ 73,474	\$ -	\$ -	\$ 73,474	\$ 69,127
Intergovernmental revenues					
Federal government	3,845,298	-	-	3,845,298	2,254,381
State government	793,607	(1,872)	-	791,735	114,677
Other	75,000	-	-	75,000	165,854
Interest on investments	25,841	15,058	411	41,310	25,357
Franchise rental fees	-	59,769	-	59,769	62,994
Dwelling rental	332,327	-	-	332,327	317,076
Program income	24,101	-	-	24,101	186,156
Cable Public Access Reserves	115,002	-	-	115,002	113,017
Library donations	107,786	-	-	107,786	65,490
Other	263,022	-	-	263,022	370,418
<b>Total revenues</b>	<b>5,655,458</b>	<b>72,955</b>	<b>411</b>	<b>5,728,824</b>	<b>3,744,547</b>
<b>EXPENDITURES</b>					
Environment and development	5,920,074	-	-	5,920,074	3,831,036
Capital projects	-	1,331,709	-	1,331,709	1,983,281
Debt service:					
Principal	-	-	1,675,000	1,675,000	1,670,000
Interest and fiscal charges	-	-	884,070	884,070	880,610
<b>Total expenditures</b>	<b>5,920,074</b>	<b>1,331,709</b>	<b>2,559,070</b>	<b>9,810,853</b>	<b>8,364,927</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(264,616)</b>	<b>(1,258,754)</b>	<b>(2,558,659)</b>	<b>(4,082,029)</b>	<b>(4,620,380)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	(345,000)	-	-	(345,000)	1,395,000
Transfer from other funds	545,011	944,000	2,837,500	4,326,511	3,949,121
Transfer to other funds	(45,000)	(59,670)	-	(104,670)	(95,279)
<b>Total other financing sources (uses)</b>	<b>155,011</b>	<b>884,330</b>	<b>2,837,500</b>	<b>3,876,841</b>	<b>5,248,842</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>(109,605)</b>	<b>(374,424)</b>	<b>278,841</b>	<b>(205,188)</b>	<b>628,462</b>
<b>FUND BALANCES, BEGINNING</b>	<b>1,999,430</b>	<b>1,482,593</b>	<b>176,248</b>	<b>3,658,271</b>	<b>3,029,808</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 1,889,825</b>	<b>\$ 1,108,169</b>	<b>\$ 455,089</b>	<b>\$ 3,453,083</b>	<b>\$ 3,658,270</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005**

	<b>Transit Special Revenue Fund</b>	<b>Public Housing Operating</b>	<b>Public Housing Projects</b>	<b>Transitional Housing</b>	<b>Revolving Acquisition</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal government	984,239	1,109,767	855,462	60,117	-
State government	602,452	-	-	-	-
Other	-	-	-	75,000	-
Interest on investments	-	11,601	-	-	3,288
Dwelling rental	-	332,327	-	-	-
Program income	-	-	-	3,791	-
Cable Public Access Reserves	-	-	-	-	-
Library donations	-	-	-	-	-
Other	49,672	23,024	-	-	88,000
<b>Total revenues</b>	<b>1,636,363</b>	<b>1,476,719</b>	<b>855,462</b>	<b>138,908</b>	<b>91,288</b>
<b>EXPENDITURES</b>					
Environment and development	1,880,606	1,440,359	855,462	145,954	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<b>(244,243)</b>	<b>36,360</b>	<b>-</b>	<b>(7,046)</b>	<b>91,288</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	(345,000)	-	-	-	-
Transfers - in	423,208	-	-	1,052	-
Transfers - out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>78,208</b>	<b>-</b>	<b>-</b>	<b>1,052</b>	<b>-</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>(166,035)</b>	<b>36,360</b>	<b>-</b>	<b>(5,994)</b>	<b>91,288</b>
<b>FUND BALANCES, BEGINNING</b>	<b>166,035</b>	<b>938,482</b>	<b>-</b>	<b>5,994</b>	<b>203,686</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ -</b>	<b>\$ 974,842</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 294,974</b>

Schedule 5

Community Development Entitlement	Downtown Service District	Cable Public Access	Grants Fund	Land Trust Fund	Housing Loan Trust Fund	Library Gift Fund	Total Special Revenue Funds
\$ -	\$ 73,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,474
725,921	-	-	109,792	-	-	-	3,845,298
-	-	-	191,155	-	-	-	793,607
-	-	-	-	-	-	-	75,000
-	949	444	-	-	6,689	2,870	25,841
-	-	-	-	-	-	-	332,327
20,050	-	-	-	260	-	-	24,101
-	-	115,002	-	-	-	-	115,002
-	-	-	-	-	-	107,786	107,786
-	-	-	48,276	-	54,050	-	263,022
745,971	74,423	115,446	349,223	260	60,739	110,656	5,655,458
812,544	74,423	115,446	408,581	27,098	136,456	23,145	5,920,074
(66,573)	-	-	(59,358)	(26,838)	(75,717)	87,511	(264,616)
-	-	-	-	-	-	-	(345,000)
-	-	-	121,803	-	-	-	546,063
-	-	-	-	-	(1,052)	(45,000)	(46,052)
-	-	-	121,803	-	(1,052)	(45,000)	155,011
(66,573)	-	-	62,445	(26,838)	(76,769)	42,511	(109,605)
96,751	11,562	15,401	-	45,495	387,872	128,152	1,999,430
\$ 30,178	\$ 11,562	\$ 15,401	\$ 62,445	\$ 18,657	\$ 311,103	\$ 170,663	\$ 1,889,825

## OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)

	Capital	Capital	Comparative Totals	
	Projects	Reserve	2005	2004
<b>REVENUES</b>				
Interest on investments	\$ 11,843	\$ 3,215	\$ 15,058	\$ 7,669
Franchise rental fees	59,769	-	59,769	62,994
Intergovernmental revenues - state	(1,872)	-	(1,872)	165,854
Other	-	-	-	61,233
Total revenues	<u>69,740</u>	<u>3,215</u>	<u>72,955</u>	<u>297,750</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	642,740	-	642,740	727,646
Street improvements and sidewalks	228,637	-	228,637	500,464
Parks, recreation and open space	460,332	-	460,332	681,629
Technology and communications	-	-	-	26,021
Public safety	-	-	-	47,521
Total expenditures	<u>1,331,709</u>	<u>-</u>	<u>1,331,709</u>	<u>1,983,281</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,261,969)</u>	<u>3,215</u>	<u>(1,258,754)</u>	<u>(1,685,531)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from financing	-	-	-	1,050,000
Transfer from General Fund	944,000	-	944,000	1,239,650
Transfer to Debt Service Fund	(55,000)	-	(55,000)	-
Transfer to Capital Projects Ordinance Fund	(4,670)	-	(4,670)	(41,250)
Total other financing sources	<u>884,330</u>	<u>-</u>	<u>884,330</u>	<u>2,248,400</u>
NET CHANGE IN TOTAL FUND BALANCES	<u>(377,639)</u>	<u>3,215</u>	<u>(374,424)</u>	<u>562,869</u>
FUND BALANCES, BEGINNING	<u>1,296,189</u>	<u>186,404</u>	<u>1,482,593</u>	<u>919,724</u>
FUND BALANCES, ENDING	<u>\$ 918,550</u>	<u>\$ 189,619</u>	<u>\$ 1,108,169</u>	<u>\$ 1,482,593</u>

## INTERNAL SERVICE FUNDS

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

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

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

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

## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF NET ASSETS**  
**JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2005	2004
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 115,909	\$ 172,733	\$ 370,625	\$ 659,267	\$ 187,407
Accounts receivable	-	53,615	-	53,615	19,437
Inventories	-	97,272	-	97,272	74,440
Total current assets	<u>115,909</u>	<u>323,620</u>	<u>370,625</u>	<u>810,154</u>	<u>281,284</u>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	701,968	-	192,139	894,107	1,249,210
Capital assets, net of depreciation	<u>3,237,108</u>	<u>3,725</u>	<u>21,127</u>	<u>3,261,960</u>	<u>3,269,271</u>
Total noncurrent assets	<u>3,939,076</u>	<u>3,725</u>	<u>213,266</u>	<u>4,156,067</u>	<u>4,518,481</u>
<b>TOTAL ASSETS</b>	<u>4,054,985</u>	<u>327,345</u>	<u>583,891</u>	<u>4,966,221</u>	<u>4,799,765</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	-	34,661	139,672	174,333	113,973
Accrued liabilities	-	66,882	-	66,882	53,228
Installment purchase agreements	<u>771,392</u>	<u>-</u>	<u>173,685</u>	<u>945,077</u>	<u>1,101,697</u>
Total current liabilities	<u>771,392</u>	<u>101,543</u>	<u>313,357</u>	<u>1,186,292</u>	<u>1,268,898</u>
<b>NONCURRENT LIABILITIES</b>					
Installment purchase agreements	<u>2,145,192</u>	<u>-</u>	<u>194,567</u>	<u>2,339,759</u>	<u>2,406,810</u>
<b>TOTAL LIABILITIES</b>	<u>2,916,584</u>	<u>101,543</u>	<u>507,924</u>	<u>3,526,051</u>	<u>3,675,708</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	320,524	3,725	(347,125)	(22,876)	(239,236)
Restricted	701,968	-	192,139	894,107	1,249,210
Unrestricted	<u>115,909</u>	<u>222,077</u>	<u>230,953</u>	<u>568,939</u>	<u>114,083</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,138,401</u>	<u>\$ 225,802</u>	<u>\$ 75,967</u>	<u>\$ 1,440,170</u>	<u>\$ 1,124,057</u>

## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)**

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2005	2004
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,034,000	\$ 1,020,968	\$ 225,010	\$ 2,279,978	\$ 2,238,396
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	885,756	828	8,280	894,864	1,043,641
Personnel	-	492,144	-	492,144	452,385
Operations	24,008	412,182	154,135	590,325	681,372
Total operating expenses	909,764	905,154	162,415	1,977,333	2,177,399
OPERATING INCOME	124,236	115,814	62,595	302,645	60,997
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest on investments	3,082	2,724	5,370	11,176	6,859
Interest expense	(98,547)	-	(6,541)	(105,088)	(117,834)
Gain on sale of fixed assets	96,662	-	-	96,662	26,100
Other	10,718	-	-	10,718	16,335
Total nonoperating revenues (expenses), net	11,915	2,724	(1,171)	13,468	(68,540)
INCOME BEFORE TRANSFERS	136,151	118,538	61,424	316,113	(7,544)
<b>TRANSFERS</b>					
Transfers in	-	-	-	-	1,212
CHANGE IN NET ASSETS	136,151	118,538	61,424	316,113	(6,332)
NET ASSETS, BEGINNING	1,002,250	107,264	14,543	1,124,057	1,130,389
NET ASSETS, ENDING	\$ 1,138,401	\$ 225,802	\$ 75,967	\$ 1,440,170	\$ 1,124,057

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,034,000	\$ 986,790	\$ 225,010	\$ 2,245,800	\$ 2,226,900
Payments to employees	-	(478,490)	-	(478,490)	(461,578)
Payments to suppliers	(103,053)	(408,909)	(40,834)	(552,796)	(615,244)
Net cash provided by operating activities	930,947	99,391	184,176	1,214,514	1,150,078
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Other	10,718	-	-	10,718	16,335
Transfers from other funds	-	-	-	-	1,212
Net cash provided by noncapital financing activities	10,718	-	-	10,718	17,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	686,400	-	192,000	878,400	1,218,100
Principal paid on installment purchase agreements	(941,183)	-	(160,888)	(1,102,071)	(1,158,897)
Interest paid on installment purchase agreements	(98,547)	-	(6,541)	(105,088)	(117,834)
Proceeds from sale of capital assets	118,310	-	-	118,310	26,100
Acquisition and construction of capital assets	(893,949)	-	(15,252)	(909,201)	(941,291)
Net cash provided by (used in) capital and related financing activities	(1,128,969)	-	9,319	(1,119,650)	(973,822)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	3,082	2,724	5,370	11,176	6,858
Net cash provided by investing activities	3,082	2,724	5,370	11,176	6,858
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(184,222)	102,115	198,865	116,758	200,661
CASH AND INVESTMENTS, BEGINNING	1,002,099	70,618	363,900	1,436,617	1,235,956
CASH AND INVESTMENTS, ENDING	\$ 817,877	\$ 172,733	\$ 562,765	\$ 1,553,375	\$ 1,436,617

Continued



## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS (Continued)

YEAR ENDED JUNE 30, 2005 (With Comparative Totals as of June 30, 2004)

	Vehicle	Vehicle	Computer	Comparative Totals for	
	Replacement	Maintenance	Equipment	Internal Service Funds	
	Fund	Fund	Fund	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 124,236	\$ 115,814	\$ 62,595	\$ 302,645	\$ 60,997
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	885,756	828	8,280	894,864	1,043,642
Changes in assets and liabilities:					
Receivables	-	(34,178)	-	(34,178)	(11,496)
Inventories	-	(22,832)	-	(22,832)	3,176
Accounts payable	(79,045)	26,105	113,301	60,361	62,952
Accrued liabilities	-	13,654	-	13,654	(9,193)
Net cash provided by operating activities	<u>\$ 930,947</u>	<u>\$ 99,391</u>	<u>\$ 184,176</u>	<u>\$ 1,214,514</u>	<u>\$ 1,150,078</u>

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**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
TRANSIT GRANT PROJECTS ORDINANCE FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2005**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental revenue				
Federal government	\$ 16,062,136	2,352,405	\$ 984,239	\$ 3,336,644
State of North Carolina	8,416,064	312,453	602,452	\$ 914,905
Other	200,000	257,117	49,672	\$ 306,789
<b>Total Revenues</b>	<b>24,678,200</b>	<b>2,921,975</b>	<b>1,636,363</b>	<b>4,558,338</b>
<b>EXPENDITURES</b>				
Construction costs	1,688,546	-	669,263	669,263
Equipment and improvements	25,802,795	2,977,164	802,291	3,779,455
Administration	1,180,772	694,922	409,052	1,103,974
<b>Total Expenditures</b>	<b>28,672,113</b>	<b>3,672,086</b>	<b>1,880,606</b>	<b>5,552,692</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(3,993,913)</b>	<b>(750,111)</b>	<b>(244,243)</b>	<b>(994,354)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	345,000	(345,000)	-
Transfer from other funds	3,993,913	571,146	423,208	994,354
<b>Total other financing sources (uses)</b>	<b>3,993,913</b>	<b>916,146</b>	<b>78,208</b>	<b>994,354</b>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 166,035</b>	<b>\$ (166,035)</b>	<b>\$ -</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - PUBLIC HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 1,135,085	\$ 1,109,767	\$ 1,109,767	\$ -
Interest on investments	6,103	8,148	11,601	3,453
Dwelling rental	363,846	363,846	332,327	(31,519)
Other	16,833	21,820	23,024	1,204
	<u>1,521,867</u>	<u>1,503,581</u>	<u>1,476,719</u>	<u>(26,862)</u>
Total revenues				
<b>EXPENDITURES</b>				
Administration	444,190	434,278	419,491	14,787
Tenant services	56,534	58,359	49,535	8,824
Utilities	113,700	113,700	107,635	6,065
Ordinary maintenance	813,610	819,165	754,347	64,818
General expense	65,831	67,973	47,640	20,333
Non-routine maintenance	98,820	103,572	39,680	63,892
Capital outlay	61,000	44,000	22,031	21,969
	<u>1,653,685</u>	<u>1,641,047</u>	<u>1,440,359</u>	<u>200,688</u>
Total expenditures				
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	<u>131,818</u>	<u>137,466</u>	<u>-</u>	<u>(137,466)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	36,360	<u>\$ 36,360</u>
FUND BALANCE, BEGINNING			<u>938,482</u>	
FUND BALANCE, ENDING			<u>\$ 974,842</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, 2005**

	<b>Project Authorization</b>	<b>Prior Year</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 2,275,504	\$ 607,138	\$ 855,462	\$ 1,462,600
Other	-	49,862	-	49,862
	<u>2,275,504</u>	<u>657,000</u>	<u>855,462</u>	<u>1,512,462</u>
Total revenues				
	<u>2,275,504</u>	<u>657,000</u>	<u>855,462</u>	<u>1,512,462</u>
<b>EXPENDITURES</b>				
Equipment and improvements	<u>2,275,504</u>	<u>657,000</u>	<u>855,462</u>	<u>1,512,462</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2005**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 160,117	\$ 100,000	\$ 60,117	\$ 160,117
Governmental revenues - other	75,000	-	75,000	75,000
Program income	12,874	8,814	3,791	12,605
Other	-	594	-	594
	<u>247,991</u>	<u>109,408</u>	<u>138,908</u>	<u>248,316</u>
<b>Total revenues</b>	<u>247,991</u>	<u>109,408</u>	<u>138,908</u>	<u>248,316</u>
<b>EXPENDITURES</b>				
Maintenance and transition activities	<u>265,491</u>	<u>120,914</u>	<u>145,954</u>	<u>266,868</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>1,052</u>	<u>18,552</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 5,994</u>	<u>\$ (5,994)</u>	<u>\$ -</u>
<b>FUND BALANCE, BEGINNING</b>			<u>5,994</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ -</u>	

## PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 14

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents:				
111	Cash - unrestricted	\$ 899,319	\$ 94	899,413
112	Cash - restricted - modernization and development	-	-	-
114	Cash - tenant security deposits	59,359	-	59,359
100	Total cash	958,678	94	958,772
Accounts and notes receivables:				
121	Accounts Receivable - PHA Projects	-	54,059	54,059
125	Accounts receivable - miscellaneous	36,793	-	36,793
126	Accounts receivable - tenants - dwelling rents	1,835	-	1,835
126.1	Allowance for doubtful accounts - dwelling rents	(928)	-	(928)
120	Total receivables, net allowances for uncollectibles	37,700	54,059	91,759
Current investments:				
143	Inventories	158,684	-	158,684
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
140	Total current investments	157,223	-	157,223
144	Interprogram Due From	-	-	-
150	<b>TOTAL CURRENT ASSETS</b>	<b>1,153,601</b>	<b>54,153</b>	<b>1,207,754</b>
<b>NONCURRENT ASSETS:</b>				
Fixed assets:				
161	Land	1,986,439	-	1,986,439
162	Building	15,721,454	-	15,721,454
164	Furniture, Equipment, & Machinery -Administration	567,660	-	567,660
166	Accumulated depreciation	(9,081,650)	-	(9,081,650)
167	Construction in progress	-	-	-
160	Total fixed assets, net of accumulated depreciation	9,193,903	-	9,193,903
180	<b>TOTAL NONCURRENT ASSETS</b>	<b>9,193,903</b>	<b>-</b>	<b>9,193,903</b>
190	<b>TOTAL ASSETS</b>	<b>\$ 10,347,504</b>	<b>\$ 54,153</b>	<b>\$ 10,401,657</b>
<b>LIABILITIES AND EQUITY:</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
312	Accounts payable ≤ 90 days	\$ 9,300	\$ 44,921	54,221
321	Accrued wage/payroll taxes payable	19,743	-	19,743
333	Accounts payments - other government	8,222	9,232	17,454
341	Tenant security deposits	59,359	-	59,359
342	Deferred revenues	36,793	-	36,793
345	Other current liabilities	45,341	-	45,341
347	Interprogram Due To	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>178,758</b>	<b>54,153</b>	<b>232,911</b>
300	<b>TOTAL LIABILITIES</b>	<b>178,758</b>	<b>54,153</b>	<b>232,911</b>
<b>EQUITY:</b>				
501	Investment in general fixed assets	9,193,903	-	9,193,903
509	Designated fund balance	36,361	-	36,361
512	Undesignated fund balance/retained earnings	938,482	-	938,482
513	<b>TOTAL EQUITY</b>	<b>10,168,746</b>	<b>-</b>	<b>10,168,746</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 10,347,504</b>	<b>\$ 54,153</b>	<b>\$ 10,401,657</b>

continued

Line Item #	Account Description	Low Rent		TOTAL
		14.850	CGP 14.859	
<b>REVENUE:</b>				
Tenant revenues:				
703	Net tenant rental revenue	\$ 332,327	\$ -	\$ 332,327
704	Tenant revenue - other	16,049	-	16,049
705	Total tenant revenue	348,376	-	348,376
Other revenues:				
706	HUD PHA grants	1,109,767	855,462	1,965,229
706.1	Capital Grants	-	-	-
711	Investment income - unrestricted	11,601	-	11,601
715	Other revenue	6,976	-	6,976
	Total other revenue	1,128,344	855,462	1,983,806
700	<b>TOTAL REVENUE</b>	<b>1,476,720</b>	<b>855,462</b>	<b>2,332,182</b>
<b>EXPENSES:</b>				
<b>OPERATING EXPENSES:</b>				
Administrative:				
911	Administrative salaries	255,811	22,980	278,791
912	Auditing fees	6,700	-	6,700
915	Employee benefit contributions - administrative	83,404	6,554	89,958
916	Other operating - administrative	73,576	12,239	85,815
Tenant services:				
921	Tenant services - salaries	36,438	-	36,438
922	Relocation costs	-	14,120	14,120
923	Tenant Services-Employee Benefits	12,196	-	12,196
924	Tenant services-other	902	-	902
Utilities:				
931	Water	84,119	-	84,119
932	Electricity	16,740	-	16,740
933	Gas	6,776	-	6,776
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	403,491	-	403,491
942	Ordinary maintenance and operations - materials	56,858	-	56,858
943	Ordinary maintenance and operations - contract costs	156,745	-	156,745
945	Employee benefit contributions - ordinary maintenance	137,253	-	137,253
General expenses:				
961	Insurance premiums	44,618	-	44,618
962	Other general expenses	1,443	-	1,443
964	Bad debt - tenant rents	928	-	928
967	Interest expense	651	-	651
969	<b>TOTAL OPERATING EXPENSES</b>	<b>1,378,649</b>	<b>55,893</b>	<b>1,434,542</b>
970	<b>EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>98,071</b>	<b>799,569</b>	<b>897,640</b>
<b>NON-OPERATING EXPENSES:</b>				
971	Extraordinary maintenance	61,711	799,569	861,280
972	Casualty Losses	-	-	-
974	Depreciation Expense	844,171	-	844,171
976	Capital outlays - governmental funds	-	-	-
900	<b>TOTAL EXPENSES</b>	<b>2,284,531</b>	<b>855,462</b>	<b>3,139,993</b>
1000	<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	<b>(807,811)</b>	<b>-</b>	<b>(807,811)</b>
1103	<b>BEGINNING EQUITY</b>	<b>9,689,143</b>	<b>-</b>	<b>9,689,143</b>
1104	Prior period adjustment, Equity Transfers and Corrections	1,287,414	-	1,287,414
	<b>ENDING EQUITY</b>	<b>\$ 10,168,746</b>	<b>\$ -</b>	<b>\$ 10,168,746</b>



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - REVOLVING ACQUISITION FUND  
 FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2005**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Interest on investments	\$ -	\$ 1,186	\$ 3,288	\$ 4,474
Other	-	52,500	88,000	140,500
Total revenues	-	53,686	91,288	144,974
<b>EXPENDITURES</b>				
Equipment and improvements	150,000	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(150,000)	53,686	91,288	144,974
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	150,000	150,000	-	150,000
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 203,686</b>	<b>\$ 91,288</b>	<b>\$ 294,974</b>
FUND BALANCE, BEGINNING			203,686	
FUND BALANCE, ENDING			\$ 294,974	

**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, 2005**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 2,320,000	\$ 994,144	\$ 725,921	\$ 1,720,065
Program income	<u>149,678</u>	<u>147,153</u>	<u>20,050</u>	<u>167,203</u>
Total revenues	<u>2,469,678</u>	<u>1,141,297</u>	<u>745,971</u>	<u>1,887,268</u>
<b>EXPENDITURES</b>				
Public improvement	767,000	299,480	251,227	550,707
Neighborhood revitalization	1,005,585	309,576	316,493	626,069
Homeownership opportunities	147,000	110,317	36,683	147,000
Administration	372,600	249,690	122,661	372,351
Community Services	<u>177,493</u>	<u>75,483</u>	<u>85,480</u>	<u>160,963</u>
Total expenditures	<u>2,469,678</u>	<u>1,044,546</u>	<u>812,544</u>	<u>1,857,090</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>96,751</u>	<u>(66,573)</u>	<u>30,178</u>
FUND BALANCE, BEGINNING			<u>96,751</u>	
FUND BALANCE, ENDING			<u>\$ 30,178</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND  
 YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 70,000	\$ 70,000	\$ 73,474	\$ 3,474
Interest on investment	-	-	949	949
Total revenues	<u>70,000</u>	<u>70,000</u>	<u>74,423</u>	<u>4,423</u>
EXPENDITURES				
Contracted services	<u>70,000</u>	<u>70,000</u>	<u>74,423</u>	<u>4,423</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, BEGINNING			<u>11,562</u>	
FUND BALANCE, ENDING			<u>\$ 11,562</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CABLE PUBLIC ACCESS FUND  
 YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ -	\$ -	\$ 444	\$ 444
Cable Public Access Reserves	<u>100,000</u>	<u>100,000</u>	<u>115,002</u>	<u>15,002</u>
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>115,446</u>	<u>15,446</u>
EXPENDITURES				
Contracted services	<u>100,000</u>	<u>100,000</u>	<u>115,446</u>	<u>(15,446)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE, BEGINNING			<u>15,401</u>	
FUND BALANCE, ENDING			<u>\$ 15,401</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GRANTS FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal Government	-	455,287	109,792	(345,495)
State Government	104,830	241,767	191,155	(50,612)
Other	6,000	119,779	48,276	(71,503)
Total revenues	<u>110,830</u>	<u>816,833</u>	<u>349,223</u>	<u>(467,610)</u>
EXPENDITURES	<u>110,830</u>	<u>937,403</u>	<u>408,581</u>	<u>528,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(120,570)</u>	<u>(59,358)</u>	<u>61,212</u>
OTHER FINANCING SOURCES				
Transfers - in	-	120,570	121,803	1,233
Total other financing sources	<u>-</u>	<u>120,570</u>	<u>121,803</u>	<u>1,233</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	62,445	<u>\$ 62,445</u>
FUND BALANCE, BEGINNING			-	
FUND BALANCE, ENDING			<u>\$ 62,445</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, 2005**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
REVENUES				
Intergovernmental grants	\$ 231,250	\$ 203,560	\$ -	\$ 203,560
Program income	-	249,970	260	250,230
Total revenues	<u>231,250</u>	<u>453,530</u>	<u>260</u>	<u>453,790</u>
EXPENDITURES	<u>231,250</u>	<u>434,873</u>	<u>27,098</u>	<u>461,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ 18,657</u>	<u>\$ (26,838)</u>	<u>\$ (8,181)</u>
FUND BALANCE, BEGINNING			<u>45,495</u>	
FUND BALANCE, ENDING			<u>\$ 18,657</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - HOUSING LOAN TRUST FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 900	\$ 900	\$ 6,689	\$ 5,789
Other	-	-	54,050	54,050
Total revenues	<u>900</u>	<u>900</u>	<u>60,739</u>	<u>59,839</u>
EXPENDITURES	<u>98,777</u>	<u>264,525</u>	<u>136,456</u>	<u>128,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(97,877)</u>	<u>(263,625)</u>	<u>(75,717)</u>	<u>187,908</u>
OTHER FINANCING SOURCES				
Transfers - out	-	-	(1,052)	(1,052)
Appropriated Fund Balance	<u>97,877</u>	<u>263,625</u>	-	<u>(263,625)</u>
Total other financing sources	<u>97,877</u>	<u>263,625</u>	<u>(1,052)</u>	<u>(264,677)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(76,769)</u>	<u>\$ (76,769)</u>
FUND BALANCE, BEGINNING			<u>387,872</u>	
FUND BALANCE, ENDING			<u>\$ 311,103</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - LIBRARY GIFT FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 2,870	\$ 2,870
Library donations	80,000	98,480	107,786	9,306
Total revenues	80,000	98,480	110,656	12,176
EXPENDITURES	-	25,550	23,145	2,405
OTHER FINANCING SOURCES				
Appropriated Fund Balance	-	7,070	-	(7,070)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	80,000	80,000	87,511	7,511
OTHER FINANCING USES				
Transfers - out	(80,000)	(80,000)	(45,000)	35,000
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	42,511	\$ 42,511
FUND BALANCE, BEGINNING			128,152	
FUND BALANCE, ENDING			\$ 170,663	



**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, 2005**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Interest on investments	\$ 964,024	\$ 507,799	\$ 111,640	\$ 619,439
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
Other Federal Grants	479,016	214,911	-	214,911
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	972,766	460,672	66,915	527,587
Other Grants	4,255,200	658,000	414,287	1,072,287
Charges for services	49,607	109,088	35,575	144,663
Other	1,123,983	442,655	-	442,655
Total revenues	<u>8,257,461</u>	<u>2,861,855</u>	<u>628,417</u>	<u>3,490,272</u>
<b>EXPENDITURES</b>				
Parks, recreation, and open space capital improvements	18,025,262	10,943,845	377,091	11,320,936
Public safety capital improvements	2,296,841	2,208,991	52,446	2,261,437
Public works facility	29,577,277	1,048,717	2,651,645	3,700,362
Municipal facilities	596,600	6,647	100,191	106,838
Sewer capital improvements	350,385	364,418	2,617	367,035
Street and sidewalk improvements	5,013,952	2,990,966	156,386	3,147,352
Total expenditures	<u>55,860,317</u>	<u>17,563,584</u>	<u>3,340,376</u>	<u>20,903,960</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(47,602,856)</u>	<u>(14,701,729)</u>	<u>(2,711,959)</u>	<u>(17,413,688)</u>

Continued

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND  
 FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2005**

	Project		Actual	
	Authorization	Prior Years	Current Year	Total to Date
<b>OTHER FINANCING SOURCES</b>				
Issuance of bonds	17,500,000	13,425,000	4,000,000	17,425,000
Issuance of certificates of participation	28,770,000	1,200,000	27,311,733	28,511,733
Transfer from General Fund	325,552	235,261	90,291	325,552
Transfer from Capital Projects Fund	469,469	464,799	4,670	469,469
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	383,450	383,450	-	383,450
Total other financing sources	<u>47,602,856</u>	<u>15,862,895</u>	<u>31,406,694</u>	<u>47,269,589</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 1,161,166</u>	<u>\$ 28,694,735</u>	<u>\$ 29,855,901</u>
FUND BALANCE, BEGINNING			<u>1,161,166</u>	
FUND BALANCE, ENDING			<u>\$ 29,855,901</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 11,843	\$ 11,843
Franchise rental fees	55,000	55,000	59,769	4,769
Intergovernmental revenues - state	-	-	(1,872)	(1,872)
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>69,740</u>	<u>14,740</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	229,000	705,542	642,740	62,802
Street improvements and sidewalks	90,000	518,294	228,637	289,657
Parks, recreation and open space	553,000	738,273	460,332	277,941
Total expenditures	<u>872,000</u>	<u>1,962,109</u>	<u>1,331,709</u>	<u>630,400</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(817,000)</u>	<u>(1,907,109)</u>	<u>(1,261,969)</u>	<u>645,140</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from General Fund	872,000	944,000	944,000	-
Transfer to Debt Service Fund	(55,000)	(55,000)	(55,000)	-
Transfer to Capital Projects				
Ordinance Fund	-	(4,670)	(4,670)	-
Appropriated fund balance	-	1,022,779	-	(1,022,779)
Total other financing sources (uses)	<u>817,000</u>	<u>1,907,109</u>	<u>884,330</u>	<u>(1,022,779)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(377,639)</u>	<u>\$ (377,639)</u>
FUND BALANCES, BEGINNING			<u>1,296,189</u>	
FUND BALANCES, ENDING			<u>\$ 918,550</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND  
 YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 3,215	\$ 3,215
Total revenues	-	-	3,215	3,215
<b>EXPENDITURES</b>				
Total expenditures	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	\$ -	\$ -	3,215	\$ 3,215
FUND BALANCE, BEGINNING			186,404	
FUND BALANCE, ENDING			\$ 189,619	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 411	\$ 411
<b>EXPENDITURES</b>				
Debt service:				
Principal	1,850,000	1,850,000	1,675,000	175,000
Interest and fiscal charges	987,500	987,500	884,070	103,430
Total expenditures	2,837,500	2,837,500	2,559,070	278,430
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	(2,837,500)	(2,837,500)	(2,558,659)	278,841
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	2,837,500	2,837,500	2,837,500	-
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>278,841</b>	<b>\$ 278,841</b>
<b>FUND BALANCES, BEGINNING</b>			<b>176,248</b>	
<b>FUND BALANCES, ENDING</b>			<b>\$ 455,089</b>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 387,700	\$ 387,700	\$ 406,998	\$ 19,298
<b>OPERATING EXPENSES:</b>				
Personnel	8,143,646	8,187,302	8,160,317	26,985
Fuel and tires	799,162	903,798	899,229	4,569
Indirect costs	773,125	773,125	751,543	21,582
Maintenance and repairs	416,664	693,923	371,919	322,004
Other	791,215	852,764	756,659	96,105
Total operating expenses	10,923,812	11,410,912	10,939,667	471,245
<b>OPERATING LOSS</b>	<b>(10,536,112)</b>	<b>(11,023,212)</b>	<b>(10,532,669)</b>	<b>490,543</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Operating Assistance Grant	1,024,577	1,024,577	1,024,577	-
State Operating Assistance Grant	1,565,675	2,894,246	2,894,246	-
University of North Carolina and Town of Carrboro operating assistance	5,688,606	5,688,606	5,633,005	(55,601)
Vehicle licenses	144,200	144,200	142,675	(1,525)
Ad valorem taxes	2,596,842	2,596,842	2,623,385	26,543
Interest on investments	5,000	5,000	70,815	65,815
Other	4,000	4,000	(132,636)	(136,636)
Appropriated fund balance	-	4,009	-	(4,009)
Contribution to Reserve	(84,244)	(929,724)	-	929,724
Total nonoperating revenues (expenses), net	10,944,656	11,431,756	12,256,067	824,311
<b>INCOME BEFORE CAPITAL</b>				
CONTRIBUTIONS AND TRANSFERS	408,544	408,544	1,723,398	1,314,854
<b>CAPITAL CONTRIBUTIONS</b>	<b>-</b>	<b>-</b>	<b>1,217,846</b>	<b>1,217,846</b>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSPORTATION FUND  
YEAR ENDED JUNE 30, 2005**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
TRANSFERS				
Transfers in	470,244	1,315,724	1,315,724	-
Transfers out	<u>(878,788)</u>	<u>(1,724,268)</u>	<u>(1,738,932)</u>	<u>(14,664)</u>
Total transfers	<u>(408,544)</u>	<u>(408,544)</u>	<u>(423,208)</u>	<u>(14,664)</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	2,518,036	<u>\$ 2,518,036</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			<u>(1,385,638)</u>	
Change in Net Assets			<u>\$ 1,132,398</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,886,840	\$ 1,896,840	\$ 1,933,579	\$ 36,739
<b>OPERATING EXPENSES</b>				
Personnel	661,095	663,515	638,053	25,462
Indirect costs	86,498	86,498	55,024	31,474
Other	526,320	588,083	295,719	292,364
Total operating expenses	1,273,913	1,338,096	988,796	349,300
OPERATING INCOME	612,927	558,744	944,783	386,039
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	1,000	1,000	18,058	17,058
Interest expense	(454,085)	(454,085)	(234,025)	220,060
Appropriated fund balance	-	54,183	-	(54,183)
Total nonoperating revenues (expenses), net	(453,085)	(398,902)	(215,967)	182,935
INCOME BEFORE TRANSFERS	159,842	159,842	728,816	568,974
<b>TRANSFERS</b>				
Transfers out	(159,842)	(159,842)	(168,342)	(8,500)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	560,474	\$ 560,474
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(391,485)	
Change in Net Assets			\$ 168,989	



**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,760,000	\$ 1,753,500	\$ 1,708,292	\$ (45,208)
<b>OPERATING EXPENSES</b>				
Personnel	306,422	304,422	289,168	15,254
Indirect costs	576,612	576,612	576,612	-
Other	419,835	421,835	199,886	221,949
Total operating expenses	1,302,869	1,302,869	1,065,666	237,203
OPERATING INCOME	457,131	450,631	642,626	191,995
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	-	-	8,585	8,585
Interest expense	(4,500)	(4,500)	-	4,500
Reserve for capital	(50,631)	(50,631)	-	50,631
Total nonoperating revenues (expenses), net	(55,131)	(55,131)	8,585	63,716
INCOME BEFORE TRANSFERS	402,000	395,500	651,211	255,711
<b>TRANSFERS</b>				
Transfers in	-	6,500	1,837	(4,663)
Transfers out	(402,000)	(402,000)	(402,000)	-
Total transfers	(402,000)	(395,500)	(400,163)	(4,663)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	251,048	\$ 251,048
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			-	
Change in Net Assets			\$ 251,048	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,040,000	\$ 1,040,000	\$ 1,034,000	\$ (6,000)
<b>OPERATING EXPENSES</b>				
Operations	-	-	24,008	(24,008)
<b>OPERATING INCOME (LOSS)</b>	<u>1,040,000</u>	<u>1,040,000</u>	<u>1,009,992</u>	<u>(30,008)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest on investments	5,000	5,000	3,082	(1,918)
Capital outlay	(690,000)	(1,406,549)	(893,949)	512,600
Debt service	(1,110,000)	(1,110,000)	(1,039,730)	70,270
Gain on sale of fixed assets	65,000	65,000	96,662	31,662
Issuance of installment notes	690,000	690,000	686,400	(3,600)
Other	-	-	10,718	10,718
Appropriated fund balance	-	716,549	-	(716,549)
Total nonoperating revenues (expenses), net	<u>(1,040,000)</u>	<u>(1,040,000)</u>	<u>(1,136,817)</u>	<u>(96,817)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	(126,825)	<u>\$ (126,825)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(885,756)	
Capital outlay			893,949	
Debt service principal			941,183	
Proceeds from installment notes			<u>(686,400)</u>	
Change in net assets			<u>\$ 136,151</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 965,198	\$ 965,198	\$ 1,020,968	\$ 55,770
OPERATING EXPENSES				
Personnel	506,356	484,156	492,144	(7,988)
Operations	458,842	481,042	412,182	68,860
Total operating expenses	965,198	965,198	904,326	60,872
OPERATING INCOME	-	-	116,642	116,642
NONOPERATING REVENUES				
Interest on investments	-	-	2,724	2,724
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	119,366	\$ 119,366
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(828)	
Change in net assets			\$ 118,538	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 222,210	\$ 222,210	\$ 225,010	\$ 2,800
OPERATING EXPENSES				
Operations	196,550	222,003	154,135	67,868
OPERATING INCOME	25,660	207	70,875	70,668
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	-	-	5,370	5,370
Interest expense	(10,660)	(10,660)	(6,541)	4,119
Capital outlay	(15,000)	(15,252)	(15,252)	-
Debt service	(211,550)	(211,550)	(160,888)	50,662
Issuance of installment notes	211,550	211,550	192,000	(19,550)
Appropriated fund balance	-	25,705	-	(25,705)
Total nonoperating revenues (expenses), net	(25,660)	(207)	14,689	14,896
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	85,564	\$ 85,564
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(8,280)	
Capital outlay			15,252	
Debt service			160,888	
Proceeds from installment notes			(192,000)	
Change in net assets			\$ 61,424	

## STATISTICAL SECTION

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>General Government</b>	<b>Environment and Development</b>	<b>Public Safety</b>	<b>Leisure Activities</b>	<b>Non- departmental</b>
1996	\$ 2,287,271	\$ 15,830,573	\$ 8,606,729	\$ 2,658,387	\$ 953,242
1997	2,480,430	14,126,960	9,210,612	2,892,954	944,006
1998	2,625,234	11,845,965	9,660,868	2,663,536	891,557
1999	2,490,722	16,639,102	10,005,232	3,068,911	996,914
2000	2,748,984	14,305,633	10,786,477	3,236,540	711,717
2001	2,916,683	15,548,497	12,009,852	3,507,813	985,953
2002	3,085,314	22,793,279	13,394,643	3,751,287	1,075,234
2003	3,297,515	17,969,896	13,859,523	3,822,370	823,903
2004	3,517,651	17,360,844	14,976,104	1,081,517	962,489
2005	3,763,510	18,965,051	15,342,852	4,118,714	1,324,805

Note: (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. See Exhibit 5.

Table I

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<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
\$ 868,887	\$ 1,800,757	\$ 33,005,846
1,166,416	2,010,822	32,832,200
4,255,356	2,024,736	33,967,252
3,315,929	2,164,646	38,681,456
1,888,495	2,189,780	35,867,626
4,013,559	2,532,046	41,514,403
3,413,124	2,422,731	49,935,612
3,454,036	2,342,855	45,570,098
5,516,543	2,550,610	45,965,758
4,672,085	2,559,070	50,746,087

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Inter- governmental Revenues</b>	<b>Charges for Services</b>
1996	\$ 17,233,996	\$ 811,355	\$ 16,502	\$ 10,800,153	\$ 1,475,821
1997	17,849,916	839,898	20,863	9,698,644	1,815,278
1998	19,558,996	1,059,355	17,854	7,344,202	1,811,097
1999	20,551,608	1,385,970	20,053	11,096,492	1,700,313
2000	22,032,598	1,349,780	14,231	8,774,761	1,533,782
2001	23,328,989	1,363,742	14,945	8,388,946	1,557,250
2002	26,193,450	1,432,195	19,510	14,962,684	1,706,496
2003	29,251,469	1,519,274	25,391	10,823,095	1,984,469
2004	30,430,218	1,551,622	27,676	8,866,342	2,075,005
2005	32,782,589	1,512,168	23,043	10,382,806	2,822,100

Note: (1) Includes General, Special Revenue, Debt service and Capital Projects Funds. See Exhibit 5.



**Table 2**

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<b>Interest on Investments</b>	<b>Other</b>	<b>Total</b>
\$ 595,673	\$ 774,832	\$ 31,708,332
589,354	934,143	31,748,096
701,072	1,311,795	31,804,371
598,116	1,204,166	36,556,718
763,966	1,031,545	35,500,663
948,173	1,472,760	37,074,805
289,653	1,381,154	45,985,142
187,590	1,595,635	45,386,923
192,595	1,794,734	44,938,192
442,649	1,679,171	49,644,526

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Tax Year</b>	<b>Fiscal Year Ended June 30,</b>	<b>Current Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>
1995	1996	\$ 12,978,742	\$ 12,776,997	% 98.45	\$ 189,731
1996	1997	13,779,082	13,605,513	98.74	108,143
1997	1998	14,935,217	14,840,691	99.37	180,945
1998	1999	15,534,727	15,413,292	99.22	125,658
1999	2000	16,598,182	16,453,207	99.13	104,525
2000	2001	17,594,559	17,466,542	99.27	132,508
2001	2002	20,417,001	20,271,201	99.29	116,045
2002	2003	23,067,472	22,919,205	99.36	144,130
2003	2004	23,790,088	23,653,530	99.43	127,726
2004	2005	25,620,526	25,480,324	99.45	106,918

**Table 3**

<b>Total Tax Collections During Year</b>		<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>		<b>Percent of Delinquent Taxes to Tax Levy</b>		
\$	12,966,728	%	99.91	\$	382,811	%	2.95
	13,713,656		99.53		461,312		3.35
	15,021,636		100.58		467,522		3.13
	15,538,950		100.03		507,815		3.27
	16,557,732		99.76		464,972		2.80
	17,599,050		100.03		479,986		2.73
	20,387,246		99.85		530,838		2.60
	23,063,335		99.98		495,807		2.15
	23,781,256		99.96		490,838		2.06
	25,587,242		99.87		514,571		2.01

**TAXABLE PROPERTY ASSESSED VALUE  
LAST TEN FISCAL YEARS**

<b>Tax Year</b>	<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Total Assessed Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value</b>
1995	1996	1,862,413,539	272,394,696	55,050,922	2,189,859,157	100 %
1996	1997	1,924,867,361	312,971,196	57,994,746	2,295,833,303	100
1997	(1) 1998	2,362,338,074	348,375,791	57,982,816	2,768,696,681	100
1998	1999	2,457,855,819	365,092,224	60,078,208	2,883,026,251	100
1999	2000	2,501,345,508	381,872,039	60,948,410	2,944,165,957	100
2000	2001	2,589,768,417	388,087,936	61,660,255	3,039,516,608	100
2001	(2) 2002	3,556,294,528	403,959,196	60,873,428	4,021,127,152	100
2002	2003	3,688,289,625	415,023,471	63,868,306	4,167,181,402	100
2003	2004	3,791,942,402	455,906,761	57,587,809	4,305,436,972	100
2004	2005	3,918,233,860	482,128,300	57,774,008	4,458,136,168	100

Notes: (1) Increase due to revaluation.

(2) Increase due to revaluation and the addition of \$200 million from a major annexation.

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$100 OF ASSESSED VALUE  
LAST TEN FISCAL YEARS**

**CHAPEL HILL WITHIN ORANGE COUNTY**

Tax Year	Fiscal Year Ended June 30,	Town of Chapel Hill		Orange County	Total
		General Fund	Transportation		
1995	1996	.543	.048	.948	1.539
1996	1997	.543	.053	.998	1.594
1997	1998	* .495	.043	.873	1.411
1998	1999	.498	.040	.902	1.440
1999	2000	.524	.039	.919	1.482
2000	2001	.535	.043	.929	1.507
2001	2002	* .461	.043	.805	1.309
2002	2003	.510	.043	.845	1.398
2003	2004	.502	.051	.880	1.433
2004	2005	.516	.059	.868	1.443

**CHAPEL HILL WITHIN DURHAM COUNTY**

Tax Year	Fiscal Year Ended June 30	Town of Chapel Hill		Durham County	Total
		General Fund	Transportation		
1995	1996	.543	.048	.9427	1.534
1996	1997	.543	.053	.9597	1.556
1997	1998	* .495	.043	.9597	1.498
1998	1999	.498	.040	.9397	1.478
1999	2000	.524	.039	.9297	1.493
2000	2001	.535	.043	.9297	1.508
2001	2002	* .461	.043	.7290	1.233
2002	2003	.510	.043	.7530	1.306
2003	2004	.502	.051	.7630	1.316
2004	2005	.516	.059	.7900	1.365

\* Denotes revaluation year

**SPECIAL ASSESSMENTS COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Current Assessments Due</b>	<b>Current Collections</b>	<b>Ratio of Collections to Amount Due</b>	<b>Total Outstanding Assessments</b>
1995	\$ 25,369	\$ 16,503	65	\$ 36,623
1996	14,864	19,531	131	22,115
1997	9,685	6,637	69	15,478
1998	15,478	2,135	14	13,343
1999	13,343	3,253	24	18,731
2000	18,731	7,010	37	11,721
2001	2,717	2,717	N/A	-
2002	-	-	N/A	-
2003	-	-	N/A	-
2004	-	-	N/A	-
2005	-	-	N/A	-

**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Population Estimate</b>	<b>Taxable Assessed Value</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Taxable Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1995	42,918	\$ 2,094,854,927	\$ 14,450,000	0.69	336
1996	44,848	2,189,859,157	15,865,000	0.72	354
1997	43,539	2,295,833,303	14,755,000	0.64	339
1998	43,423	2,768,696,681	18,090,000	0.65	417
1999	43,977	3,039,516,608	16,880,000	0.59	384
2000	46,019	2,944,165,957	20,225,000	0.69	439
2001	48,902	3,039,516,608	18,705,000	0.62	382
2002	50,454	4,021,127,152	17,380,000	0.43	344
2003	51,005	4,167,181,402	20,070,000	0.48	393
2004	51,485	4,305,436,972	18,400,000	0.43	357
2005	51,519	4,458,136,168	46,725,000	1.05	907

Note: Net bonded debt includes general obligation bonds and certificates of participation.

**COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2005**

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Total assessed valuation at June 30, 2005	<u>\$ 4,458,136,168</u>
Debt limit - 8% of total assessed value	356,650,893
Amount of debt applicable to debt limit:	
General obligation bonds	20,725,000
Certificates of participation	<u>26,000,000</u>
Total debt applicable to debt limit	<u>46,725,000</u>
Legal debt margin	<u>\$ 309,925,893</u>



**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2005**

<b>Jurisdiction</b>	<b>Bonded Debt</b>	<b>Percentage</b>	<b>Amount</b>
Direct			
Town of Chapel Hill	\$ 46,725,000	100.0 %	<u>\$ 46,725,000</u>
Overlapping			
Orange County	125,810,000	41.2	51,833,720
Durham County	221,945,000	1.4	<u>3,107,230</u>
Total Overlapping			<u>54,940,950</u>
Total Direct and Overlapping Bonded Debt			<u><u>\$ 101,665,950</u></u>

NOTE: Town of Chapel Hill direct bonded debt includes general obligation bonds and certificates of participation.  
Orange County and Durham County bonded debt includes general obligation bonds only.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO  
GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Debt Service Expenditures				Total	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest	Other Expenses				
						(1)	
1996	\$ 981,535	\$ 818,261	\$ 962	\$ 1,800,758	\$ 33,022,278	5.45	
1997	1,144,529	865,597	696	2,010,822	32,832,200	6.12	
1998	1,249,334	775,108	294	2,024,736	33,967,252	5.96	
1999	1,245,829	918,551	266	2,164,646	38,681,456	5.60	
2000	1,355,000	834,560	220	2,189,780	35,867,626	6.11	
2001	1,520,000	1,011,688	358	2,532,046	41,514,403	6.10	
2002	1,490,000	932,418	313	2,422,731	49,935,612	4.85	
2003	1,560,000	782,855	-	2,342,855	45,570,098	5.14	
2004	1,670,000	880,610	-	2,550,610	48,965,758	5.21	
2005	1,675,000	884,070	-	2,559,070	50,746,087	5.04	

NOTE: (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. See Exhibit 5.

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (2)</b>	<b>School Enrollment (3)</b>	<b>% Unemployment Rate (4)</b>
1996	44,848	\$ 16,288	24.8	32,245	1.9
1997	43,539	16,288	24.8	32,155	1.6
1998	43,423	16,288	24.8	32,375	1.6
1999	43,977	16,288	24.8	32,375	1.3
2000	46,019	16,288	24.8	33,520	1.2
2001	48,902	16,288	24.8	34,462	1.8
2002	50,542	24,133	24.0	34,628	3.1
2003	51,005	24,133	24.2	37,012	4.0
2004	51,485	24,133	24.2	37,587	3.0
2005	51,519	24,133	24.2	37,308	4.0

SOURCES:

- (1) Office of State Planning, State of North Carolina.
- (2) Estimated from 1990 and 2000 Census of Population, U.S. Department of Commerce Bureau of Census. Per capita income and median age data from 1994 to 2001 are calculated on 1990 census data. Per capita income and median age for 2002 to 2004 are based on the 2000 Census of Population.
- (3) Chapel Hill-Carrboro Public Schools and University of North Carolina at Chapel Hill.
- (4) Employment Security Commission, State of North Carolina.

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Property Value (2)			
	Real Property	Personal Property	Public Service Companies	Total Assessed Value
1996	\$ 1,862,414	\$ 272,395	\$ 55,051	\$ 2,189,860
1997	1,924,867	312,971	57,995	2,295,833
1998	(1) 2,362,338	348,376	57,982	2,768,696
1999	2,457,856	365,092	60,078	2,883,026
2000	2,501,345	381,872	60,948	2,944,165
2001	2,589,768	388,088	61,660	3,039,516
2002	(1) 3,556,294	403,960	60,873	4,021,127
2003	3,688,290	415,023	63,868	4,167,181
2004	3,791,942	455,907	57,588	4,305,437
2005	3,918,234	482,128	57,774	4,458,136

All dollar amounts are in thousands of dollars.

- (1) Increase due to revaluation.
- (2) Estimated assessed value from Table 4.
- (3) Source : Town of Chapel Hill Inspections Department.

**TABLE 12**

<b>Construction (3)</b>				
<b>Number of Building Permits</b>	<b>Residential Value</b>	<b>Non-Residential Value</b>	<b>Total Value</b>	
745	\$ 57,491	\$ 13,544	\$ 71,035	
669	49,166	24,761	73,927	
824	74,946	47,240	122,186	
945	86,188	47,760	133,948	
863	90,299	60,795	151,094	
841	98,861	25,307	124,168	
927	99,479	33,232	132,711	
1,035	116,538	36,407	152,945	
903	85,801	21,280	107,081	
961	109,943	27,370	137,313	

## PRINCIPAL TAXPAYERS

June 30, 2005

Taxpayer	Type of Business	2005 Assessed Value	% of Total Assessed Value
Blue Cross and Blue Shield of North Carolina	Health Insurance	\$ 39,150,221	0.88 %
US GT LLC (University Square)	Shopping Center	35,289,153	0.79
VAC Limited Partnership	Apartment Rental	32,282,778	0.72
University Mall Properties	Shopping Center	31,804,992	0.71
Corium LLC	Health Insurance	25,869,599	0.58
Bell South Telephone Company	Public Utility	24,913,958	0.56
Europa Center LLC	Office Building	24,273,824	0.54
Inland Southeast Meadowmont	Retail Space	23,616,296	0.53
Duke Energy Corporation	Public Utility	20,510,406	0.46
Estates at Chapel Hill LLC	Development	18,896,122	0.42
		\$ 276,607,349	6.20 %

**MISCELLANEOUS STATISTICS****June 30, 2005**

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Date of incorporation	1819
Form of government	Council-Manager
Area	21.1 square miles
Miles of streets	156.62
Number of street lights	3,008
Fire protection:	
Number of stations	5
Number of firefighters and officers (exclusive of volunteer firemen)	74.53
Police protection:	
Number of stations	1
Number of police officers	112
Building permits issued	961
Recreation and culture:	
Number of parks	17
Number of libraries	1
Number of volumes	158,673
Employees:	
Full-time equivalents	665

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Orange Water and Sewer Authority, which represents 169.90%, 175.61%, and 35.80% respectively, of the assets, net assets and revenues of the governmental activities and business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange Water and Sewer Authority, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Chapel Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

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

*Dixon Hughes PLLC*

September 9, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2005. The Town of Chapel Hill's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be a material weakness.

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

*Dixon Hughes PLLC*

*September 9, 2005*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133  
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major state programs for the year ended June 30, 2005. The Town of Chapel Hill's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Dixon Hughes PLLC*

*September 9, 2005*

**TOWN OF CHAPEL HILL, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005**

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**I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?                           yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses?                           yes      X   none reported
- Noncompliance material to financial statements noted?                           yes      X   no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified?                           yes      X   no
- Reportable conditions identified that are not considered to be material weaknesses?                           yes      X   none reported

Type of auditors' report issued on compliance for major federal programs: Unqualified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:                      \$ 300,000  

Auditee qualified as low-risk auditee?                      X   yes           no





**TOWN OF CHAPEL HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005**

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**II. Financial Statement Findings**

None reported.

**III. Findings and Questioned Costs**

None reported

**IV. State Award Findings and Questioned Costs**

None reported.

**TOWN OF CHAPEL HILL  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2005**

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There were no prior year audit findings

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<b>FEDERAL ASSISTANCE</b>						
U.S. Department of Transportation						
Direct Programs:						
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	04-MA-001	\$ 6,018,990	\$ -	\$ 419,205	\$ 46,578
Federal Transit Administration - Federal Transit Capital Formula Grant	20.500	NC-26-0004	623,957	-	-	-
Federal Transit Administration - Federal Transit Capital Formula Grant	20.507	NC-03-0058-00	1,318,289	516,159	64,520	64,520
Federal Transit Administration - Federal Transit Capital Grant	20.507	NC-90-X351-00	800,000	3,404	425	425
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X363-00	1,155,357	1,024,577	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X345-00	552,575	303,441	6,052	69,808
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X330-00	437,537	103,272	14,603	11,215
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC90-X227-01	849,024	95	12	12

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X265-00	342,504	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X281-00	198,280	752	-	188
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X295-00	267,461	181	-	35
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.505	05-08-002	66,284	56,936	7,117	7,117
Federal Transit Administration - Federal Transit Planning Grant	20.505	04-08-002	53,880	7,556	-	945
Passed-Through City of Durham, North Carolina:						
Federal Transit Administration - Highway Act of 1973 Section 104(f) Planning Grant	20.505	PL 104(F)	212,848	65,090	-	16,272
Total U.S. Department of Transportation				<u>2,081,463</u>	<u>511,934</u>	<u>217,115</u>
U.S. Department of Housing and Urban Development						
Direct Programs:						
Community Development Block Grant Entitlement Program income	14.218	MC-37-0016	1,746,000	725,920	-	-
			-	-	-	20,050

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Economic Development Initiative Grant	14.246	B-00-SPNC-0023	231,250	-	-	-
Public and Indian Housing Program - Operating	14.850	A-3963	1,109,767	1,109,767	-	-
Rental and other income			-	-	-	366,952
Public and Indian Housing Capital Fund	14.872	NC-19P04650101	611,585	146,015	-	-
		NC-19P04650102	584,065	441,632	-	-
		NC-19P04650103	453,453	242,521	-	-
		NC-19P04650203	95,773	-	-	-
		NC-19P04650104	530,628	25,294	-	-
Passed-Through Orange County, North Carolina:						
Public and Indian Housing Transitional Housing Program Income	14.239		160,117	60,117	-	-
						3,791
Total U.S. Department of Housing and Urban Development				2,751,266	-	387,002
U.S. Department of Justice						
Direct Programs:						
Bulletproof Vest Partnership Program	16.607		9,111	9,111	-	-
Local Law Enforcement Block Grant	16.592	02-LB-BX-2505	44,510	7,564	-	756
		03-LB-BX-2596	28,526	25,121	-	2,512
		04-LB-BX-0588	13,068	9,264	-	926
Total U.S. Department of Justice				51,060	-	4,194

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Department of Homeland Security Assistance to Firefighters Grant	97.044	EMW-2004-FG-08673	310,608	-	-	-
Federal Mediation and Conciliation Services Youth Initiative Partnership	34.001		24,000	2,994	-	-
U.S. Department of Energy Passed-Through NC Department of Administration - State Energy Sustainable Communities Grant	81.041	13-38950-E	91,200	61,746	-	15,437
Passed-Through the NC Solar Center NC Solar Grant	81.041	2002-080-05	10,800	9,300	-	-
Total U.S. Department of Energy				71,046	-	15,437
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>4,957,829</b>	<b>511,934</b>	<b>623,748</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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			1,473,800	-	1,473,800	-
Interest			1,770	-	-	1,770
State Maintenance Assistance for Urban and Small Urban Areas			2,894,246	-	2,894,246	-
NCDOT Highwoods Road			90,000	-	-	-
NCDOT Direct Allocation Grant - Hwy 54			170,000	-	-	-
NCDOT MPO Grant - Morgan Creek			151,500	-	13,858	-
North Carolina State Technology Grant		02-AT-003	189,990	-	1,240	138
		03-AT-056	212,400	-	89,267	9,918
Total North Carolina Department of Transportation				-	4,472,411	11,826
National Trails Program			30,000	-	-	-
State Library Aid			38,000	-	36,786	-
Governor's Crime Commission Grant - Crime Analysis and Mapping			64,178	-	62,399	-
Governor's Crime Commission Grant - Comunidad Unido			75,594	-	53,505	-
Governor's Crime Commission Grant - Cyber Crime Unit			56,095	-	45,798	-
Governor's Crime Commission Grant - Criminal Information Sharing			6,488	-	6,488	-
Criminal Justice Partnership Grant			80,465	-	66,470	-
<b>TOTAL STATE ASSISTANCE</b>				-	4,743,857	11,826
<b>TOTAL FINANCIAL ASSISTANCE</b>				\$ 4,957,829	\$ 5,255,791	\$ 635,574

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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, 2005

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 reports to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2005. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2005, the Town had no unspent Powell Bill funds . The amount calculated as interest is based on the prior year interest rate. This was used as an estimate for the current year.