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Ratings:
Moody's: Aaa
S&P: AAA
(See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED MAY 22, 2025

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the Town of Chapel Hill, North Carolina to provide information in connection with the sale and issuance of the Bonds described herein. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless indicated, capitalized terms used on this cover page have the meanings given in the Official Statement. The Town has deemed the Preliminary Official Statement "final" for purposes of S.E.C. Rule 15c2-12 except for information which may be omitted pursuant to Rule 15c2-12.

Town of Chapel Hill, North Carolina

\$13,830,000

General Obligation Public Improvement Bonds, Series 2025

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Status

In the opinion of Bond Counsel and subject to the qualifications described in this Official Statement, interest on the Bonds is not includable in gross income for federal income tax purposes, and is exempt from current State of North Carolina income taxes. See "TAX TREATMENT" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences.

Redemption

The Bonds are subject to optional redemption prior to maturity at the times and price set forth herein.

Security

The Bonds constitute general obligations of the Town, secured by a pledge of the faith and credit and taxing power of the Town.

Interest Payment Dates

February 1 and August 1, commencing February 1, 2026.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

June 24, 2025.

Bond Counsel

Sanford Holshouser PLLC, Carrboro, North Carolina.

Financial Advisor

Davenport & Company LLC, Charlotte, North Carolina.

Sale Date

June 3, 2025.

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is June __, 2025

MATURITY SCHEDULES

\$13,830,000 General Obligation Public Improvement Bonds, Series 2025

Due February 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	<u>CUSIP⁺</u>
2026	\$695,000			
2027	695,000			
2028	695,000			
2029	695,000			
2030	695,000			
2031	695,000			
2032	690,000			
2033	690,000			
2034	690,000			
2035	690,000			
2036	690,000			
2037	690,000			
2038	690,000			
2039	690,000			
2040	690,000			
2041	690,000			
2042	690,000			
2043	690,000			
2044	690,000			
2045	690,000			

¹ Information obtained from underwriters of the Bonds.

⁺ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2025 CUSIP Global Services. All rights reserved. The Local Government Commission, the Town and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

TOWN OF CHAPEL HILL, NORTH CAROLINA

Jessica Anderson Mayor

TOWN COUNCIL

Camille Berry	Melissa McCullough
Paris Miller-Foushee	Theodore Nollert
Amy Ryan	Adam Searing
Elizabeth Sharp	Karen Stegman

TOWN STAFF

Mary Jane Nirdlinger..... Interim Town Manager
Loryn Clark..... Deputy Town Manager
Amy OlandDirector of Business Management
Ann Anderson Town Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Sanford Holshouser PLLC
Carrboro, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
LOCAL GOVERNMENT COMMISSION

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the sale and issuance of \$13,830,000 General Obligation Public Improvement Bonds, Series 2025 (the “Bonds”), of the Town of Chapel Hill, North Carolina (the “Town”).

The information furnished herein includes a brief description of the Town and its economic conditions, government, debt management, tax structure, financial operations, budget, pension plans and litigation. The Town has assisted the Local Government Commission of North Carolina (the “Commission”) in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date herein. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available by the successful bidder or bidders for the Bonds to the Commission. In accordance with the requirements of the Rule, the Town has undertaken certain continuing disclosure obligations. See the caption “Continuing Disclosure” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the “State”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix A to this Official Statement contains additional information concerning the Commission and its functions.

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their respective dates at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2026. The Bonds will mature on the dates set forth on the inside cover page of this Official Statement. The Town will make Bond payments to the person shown as owner on the Town's registration books as of the **Record Date** for the Bonds, which is the end of the calendar day on the 15th day of the month (whether or not a business day) preceding each interest payment date.

The Bonds will be issuable as fully registered bonds in a book-entry system under which The Depository Trust Company ("DTC"), a New York corporation, will act as securities depository nominee for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of DTC and its book-entry system.

Redemption Provisions

The Bonds maturing on or prior to February 1, 2035 will not be subject to redemption prior to their respective maturities. The Bonds maturing on February 1, 2036 and thereafter will be subject to redemption, at the option of the Town, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than February 1, 2035, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of such Bonds to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some whole multiple thereof and that, in selecting Bonds for redemption, each such Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of the Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine which of the Bonds within a maturity are to be redeemed by lot. If less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions of such Bonds to be redeemed shall be called in such manner as the Town may determine.

Not more than sixty (60) days nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether such redemption be in whole or in part, the Town shall cause a notice of such redemption to be filed with the Bond Registrar and to be mailed, postage prepaid, to the registered owner of each Bond to be redeemed in whole or in part to his or her address appearing upon the registration books of the Town, provided that such notice to Cede & Co. shall be given by certified or registered mail or otherwise as prescribed by DTC. Failure to mail such notice or any defect therein shall not affect the validity of the redemption as regards registered owners to whom such notice was properly given.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Town on or prior to the redemption date of moneys sufficient to pay the redemption price of and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. If a notice contains such a condition and moneys sufficient to pay the redemption price of and interest on such Bonds are

not received by the Town on or prior to the redemption date, the redemption shall not be made and the Town shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Bond Registrar in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to such redemption date. If a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate shall be delivered for the unredeemed portion of the principal amount of such Bond.

Authorization and Purpose

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, bond orders adopted by the Town Council of the Town on June 22, 2015 and on June 5, 2024, which bond orders were approved by the vote of a majority of qualified voters of the Town who voted thereon at referenda duly called and held on November 3, 2015 and November 5, 2024, and a resolution adopted by the Town Council on May 7, 2025. The Town is issuing the Bonds to finance capital costs of streets and sidewalks, improvements to the Town's stormwater system, the design for construction of a fire station, a community center climbing wall, and providing affordable housing, in the Town.

Security

The Bonds are general obligations of the Town. The Town is authorized by law to levy on all the real property and tangible personal property taxable by the Town such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

THE TOWN

General Description

The Town, incorporated in 1819, is in the north central portion of the State on the piedmont plateau. The Town is located southwest of the City of Durham and approximately 25 miles northwest of the City of Raleigh. The Town is the home of the University of North Carolina at Chapel Hill. Approximately 93 percent of the Town area is located in Orange County and the remaining 7 percent is located in Durham County. The Town covers an area of 21.8 square miles.

The Town conducts an ongoing planning and programming process through which it implements orderly expansion and management of the growth and development of the community. At present, the Town exercises zoning and building controls over a 27.5 square mile area that includes the corporate limits and an additional 5.7 square mile planning jurisdiction.

The growth of the Town has been directly related to the expansion of the University of North Carolina at Chapel Hill (the "University" or "UNC"). Enrollment at the University has risen from 8,791 in 1960 to 32,234 in fall 2023. It is anticipated that expansion will continue to occur in University-related health facilities. To help meet growing demands for service, UNC Health Care is building a new surgical tower on campus and preparing to relocate some clinics from the UNC main campus to its Eastowne Office Park in the Town near Interstate 40. In 2019, UNC finalized a new

Master Plan for all University-owned property, including the main campus, outlying parcels, and the previously planned Carolina North campus on nearly 300 acres of land now used by Horace Williams Airport, which anticipates a world-class research park with academic buildings, residential areas, businesses, green space, and public schools.

Demographic Characteristics

The United States Department of Commerce, Bureau of the Census, has recorded the population of the Town to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
38,872	46,019	57,233	62,270

The North Carolina Office of State Budget and Management estimates the 2023 population of the Town to be 63,288.

Per capita income data for Orange County and the State are presented in the following table:

<u>Year</u>	<u>Orange County</u> ¹	<u>State</u>	<u>U.S.</u>
2019	\$65,940	\$48,374	\$55,567
2020	70,349	51,758	59,123
2021	75,780	57,008	64,460
2022	77,427	58,953	66,244
2023	82,487	61,839	69,810

¹ Separate data for the Town are not available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis. Most recent available data.

Commerce and Institutional Profile

The Town is characterized by a high degree of institutional and service-oriented activity. The University and the UNC Hospitals and their associated service, teaching and research programs have a national reputation for excellence in educational and medical fields. The Town is also the place of residence for many technical, professional and executive personnel who work in the Research Triangle Park and the neighboring communities of Durham and Raleigh.

The Triangle refers to an area located between three communities: the Town, the City of Durham and the City of Raleigh. Universities located in these communities include UNC, Duke University in Durham, and North Carolina State University in Raleigh. The proximity of these universities makes the Triangle area suited to many types of academic research and industrial activities.

The Research Triangle Park (the “Park”), organized in 1959, is situated in the center of the triangle formed by the communities of Raleigh, Durham and Chapel Hill. The Park encompasses over 7,000 acres of land set aside for research and research-oriented manufacturing. Since its founding, the Park and its surrounding areas have developed steadily. Presently located within the Park boundaries are approximately 375 research and development related organizations, employing about 60,000 people.

The Town adopted a comprehensive plan in 2012 aimed at increasing community engagement and facilitating commercial development in targeted areas. As part of the plan the Town initiated the Ephesus Fordham (Blue Hill) Area projects that included rezoning a historical underdeveloped area and making strategic public improvements to support redevelopment. In addition, the Town has approved several major mixed-use developments including Obey Creek, Glen Lennox, and Carraway Village.

Through its participation in Launch Chapel Hill (“Launch”), a start-up accelerator located in Downtown Chapel Hill, the Town is investing in developing new and innovative businesses. Launch is a collaboration between the Town, Orange County, and the University that uses local resource partners and a network of mentors, most of whom work through the Center for Entrepreneurial Studies and UNC’s Kenan-Flagler Business School. Since opening in 2013, 211 companies have participated in the program and Launch companies have raised more than \$122.2 million. Launch companies have created more than 4,010 jobs, 3,388 within Orange County (as of July 2024).

Healthcare IT firm Well Dot (“Well”) is setting up its \$3.1 million headquarters on Chapel Hill’s Franklin Street, adding 400 jobs to the local economy. The state will provide nearly \$3.9 million in incentives, with the Town of Chapel Hill and Orange County adding an additional \$981,000 in total beginning in spring 2022. Well moved into its newly renovated co-HQ at 419 W Franklin Street in September 2019. Well expects to expand into a second West Franklin Street location as hiring ramps up. The company’s second headquarters is located in Massachusetts.

Wegman’s Food Markets opened its Chapel Hill location on February 24, 2021. The 100,000 square foot supermarket employs 450 full-time and part-time employees and is the third location in the State.

The Town has a 20-year Development Agreement with UNC that allows up to 3 million square feet of development on approximately 133 acres in the southeast portion of Carolina North. The Carolina North project is a large-scale, mixed-use academic and research campus development located two miles north of the main campus of UNC-Chapel Hill. Plans are underway to help the University increase enrollment numbers and provide greater opportunities for research, living space, and campus growth.

The Town adopted a new Land Use Management Ordinance in January 2003, which revised development regulations. The Town experienced a drop-off in major development applications while the new regulations were being formulated and immediately after their adoption.

Application submissions returned to historic levels in 2006 with some decline in 2009 due to the economic downturn present at that time. Since 2010, the number of development applications has remained relatively constant with a slight reduction in 2019 that was remedied in 2020 with an above average number of submissions.

To improve development review processes and to facilitate redevelopment in an area of Town lacking in investment for decades, the Town adopted a form-based code in 2014, which has resulted in the approval of thirteen large-scale new construction projects as well as several smaller projects in existing commercial developments.

The Town is currently working to rewrite the 2003 Land Use Management Ordinance. The plan is to create land use tools that are predictable, functional, and intentional. This process includes three phases:

Phase One: Future Land Use Map, adopted in December of 2020, included a major update to the Town's Comprehensive Plan, which details the Town's future vision to the year 2050.

Phase Two: Overhauling the Land Use Management Ordinance, underway now, including updated districts and uses, development standards and procedures.

Phase Three: Revising the Town's Zoning Atlas to reflect the updated Ordinance.

Typically, there is about a one-year lag between the Town's receipt of development applications and building permit issuance. For fiscal year 2019 the number of commercial permits increased from the previous year and saw an 8% increase in total value. Fiscal year 2020 saw a decline in building permits due to the COVID-19 pandemic, but the Town has recovered from that decline and is now seeing more permits issued in both commercial and residential properties than before the pandemic. Building permits issued for commercial and residential construction in the Town are summarized below for the latest five fiscal years:

Fiscal Year Ended/Ending June 30	<u>COMMERCIAL</u>		<u>RESIDENTIAL</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2020	327	\$141,166,309	481	\$ 52,509,760
2021	304	186,768,196	560	61,877,592
2022	852	159,103,912	1,626	69,193,962
2023	974	238,847,658	1,711	77,059,785
2024	909	190,873,369	1,750	106,935,177

Source: Building & Development Services Department of the Town.

The following table lists by corporate name, product or service and approximate number of employees the major businesses and institutional establishments in the Chapel Hill area:

<u>Company or Institution</u>	<u>Service or Product</u>	<u>Approximate Number of Employees</u>
University of North Carolina at Chapel Hill	Education, Research	10,000+
UNC Health Care	Medical Care	10,000+
Town of Chapel Hill	Local Government	650+
Aramark Food and Support Services	Food Service	250+
The Chapel Hill Residential Center	Medical Care	250+
UNC Physicians Network LLC	Medical Care	250+
Harris Teeter	Trade	250+
Food Lion	Trade	250+
Hyatt Corporation	Hotel	250+
Chapel Hill-Carrboro City Schools	Education	150+

¹ Most recent available data from 2023-24.

Source: Orange County Economic Development

Total taxable sales in the County for the fiscal years ended June 30, 2020 through 2024 and for a portion of 2025 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2020	\$1,955,949,743	1.7%
2021	2,149,246,638	9.9
2022	2,482,070,449	15.5
2023	2,778,217,449	11.9
2024	2,909,906,965	4.7
2025 ¹	1,909,603,073	--

¹ Taxable sales for the nine-month period ended March 31, 2025 was \$2,208,000,941. The comparable figure for the nine-month period ended March 31, 2024 was \$2,161,886,283.

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Separate data for the Town are not available.

Employment

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the Town to be as follows:

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2020	3.6%	3.4%	4.3%*	8.8%*	8.5%	8.0%	7.3%	5.6%	4.8%	4.3%	4.4%	4.7%
2021	4.9	4.6	4.0	3.9	4.1	4.6	5.0	4.6	3.5	3.6	3.5	2.9
2022	3.6	3.3	3.1	3.3	3.8	4.3	4.6	4.4	3.5	3.5	3.7	3.3
2023	3.6	3.4	3.6	3.3	3.8	3.9	4.3	4.1	3.4	3.4	3.5	3.4
2024	3.4	3.1	3.8	3.1	3.6	4.1	4.7	3.9	3.2	3.1	3.5	3.5
2025	3.6	3.0	3.7	N/A	N/A							

* Onset of the COVID-19 Pandemic.

Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

For comparison, the average unemployment rate for 2024 was 3.6% for Chapel Hill, 3.2% for Orange County, 3.6% for North Carolina and 4.0% for the United States.

Government and Major Services

GOVERNMENT STRUCTURE

The Town has a Council-Manager form of government. The Town Council is comprised of a Mayor and an eight-member Council. All Council Members serve four-year terms. The Mayor and four Council Members are elected every two years. All elections are on a non-partisan basis. The Council appoints the Town Manager and Town Attorney. The Mayor presides over the Council meetings and has full voting privileges. The Town Manager is the chief administrative officer of the Town. Town departments are responsible to the Town Manager for the provision of public services.

EDUCATION

Public education is provided in the Town primarily by the Chapel Hill - Carrboro City School System which serves southeastern Orange County and, to a minor extent, by the Durham County School System for the small portion of the Town located in Durham County. The Chapel Hill-Carrboro City School System is governed by a non-partisan Board consisting of seven members elected to four-

year staggered terms. The Town has no financial responsibility for the schools. Revenue is derived from the Federal, State and County governments for school operations and capital facilities.

The table below shows the number of schools by level and average daily membership in the Chapel Hill-Carrboro City School System for the five-year period beginning with the 2020-21 school year.

	<u>Elementary Grades K-5</u>		<u>Intermediate Grades 6-8</u>		<u>Secondary Grades 9-12</u>		<u>Totals</u>
<u>School Year</u>	<u>No.</u>	<u>ADM*</u>	<u>No.</u>	<u>ADM*</u>	<u>No.</u>	<u>ADM*</u>	<u>ADM*</u>
2020-21	11	4,912	4	2,910	3	3,880	11,702
2021-22	11	4,742	4	2,805	3	3,787	11,334
2022-23	11	4,622	4	2,762	3	3,885	11,269
2023-24	11	4,624	4	2,740	3	3,915	11,277
2024-25	11	4,519	4	2,656	3	3,913	11,080

*Average Daily Membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public-school units in the State. The average daily membership computations are used as a basis for teacher allotments and for distribution of local funds if there is more than one school unit within a County.

Source: Chapel Hill/Carrboro City Schools, Communication Department and NC Department of Public Instruction/Division of School Business Services.

Note: Excludes UNC Hospital, Phoenix Academy, and Virtual Academy enrollment.

Across North Carolina, enrollment in traditional public schools has been affected by increasing enrollment in public charter schools, and private schools, and by homeschooling. The circumstances of the pandemic have compounded this trend. The Chapel Hill-Carrboro School System estimates, for example, that approximately 220 students from the district are enrolled in public charter schools.

TRANSPORTATION

Major expansion, maintenance and betterment of primary and secondary highways in the Federal and State highway systems within the Town limits are chiefly the State's responsibility, although the Town does participate on a limited basis in expansion projects. The Town also is responsible for a portion of the acquisition of rights-of-way for such expansion or betterment related sidewalk improvements and street lighting. On June 30, 2024, there were approximately 67 miles of State maintained streets within the Town's limits.

Major expansion, maintenance and betterment of the local street system are the sole responsibility of the Town. Major expansions and betterments are financed with long-term bonds and current revenues. As of June 30, 2024, the Town maintained approximately 167 linear miles of streets.

The Town is served by U.S. Highway 15-501, which connects the Town with the City of Durham, and by Interstate 40 which connects the Town with the Research Triangle Park and the Raleigh-Durham International Airport. Interstate 40 connects to Interstate 85 just northwest of the Town limits, within Orange County. Interstate 85 connects the region west through Greensboro to Charlotte and Atlanta, and connects to Interstate 95 just south of Richmond, Virginia.

The Town operates a bus system that provides public transportation services to the Town and adjacent areas, including services to the Town of Carrboro and the University on a contractual basis. Effective January 1, 2002, the Town instituted the State's first fare free transportation system for customers on all regular routes and services. Six park-ride lots were established on the perimeter of the Town to facilitate transportation in and out of the University and downtown area. The system

operates 93 fixed-route buses and a demand response program for seniors and persons with disabilities.

During the 2023-24 fiscal year, the bus system carried around four (4) million passengers and had the highest per capita ridership in the State. Like most public transportation systems, the system saw a decrease in ridership from fiscal years 2020-2022 due to the COVID-19 pandemic and service reductions in response to the pandemic, but there were no direct financial impacts due to the fare free nature of the system. The system is returning to pre-COVID service levels and ridership is expected to track with its service. The bus system's \$36.6M annual budget is financed primarily with a special ad valorem tax levy, Federal and State operating and capital assistance, and contractual contributions from the Town of Carrboro and the University. The Town receives Federal operating assistance from the Federal Transit Administration and State operating assistance, which combined, equals about 15.5% of eligible operating costs for the system.

The North-South Bus Rapid Transit ("NSBRT") is an 8.2-mile-long project that will run along Martin Luther King Jr. Blvd between Eubanks Road Park-and-Ride and Southern Village Park-and-Ride. The project will bring dedicated bus lanes, new bus stations, more frequent bus stops, and longer operating hours, along with pedestrian and cycling improvements along the route. The estimated cost to build this project is \$180 million, paid for with 80% federal funding, \$29.1 million provided by the Orange County Transit Plan, and local and state funding will cover the remaining cost.

The Raleigh-Durham International Airport ("RDU") is a major regional airport serviced by eleven major airlines and six foreign flag carriers. Approximately 14.2 million passengers enplaned or deplaned in calendar year 2019 as compared to 12.8 million passengers in 2018. The airport served approximately 15.5 million passengers in 2024. The Town has no financial responsibility for RDU.

PUBLIC SERVICE ENTERPRISES

Water and Sewer Services — Water and sewer services are provided by the Orange Water and Sewer Authority ("OWASA" or "Authority"). The Authority was created in 1975 by the Board of Commissioners of Orange County and the governing bodies of the towns of Chapel Hill and Carrboro for the purpose of acquiring, consolidating, improving and operating the existing water and sewer systems in the southern portion of the County. Prior to the formation of the Authority, water service was provided by the University and sewer service was provided by the towns in conjunction with the University. (See Notes to Financial Statements for further information regarding OWASA).

OWASA's existing raw water supplies include the Cane Creek Reservoir, University Lake, the Stone Quarry Reservoir and a water supply storage allocation from B. Everett Jordan Lake. The Cane Creek/University Lake/Stone Quarry Reservoir system can provide 10.5 million gallons of water per day ("MGD") while maintaining a 20% storage reserve and can reliably meet OWASA's water supply needs when streamflow and reservoir levels are significantly lower than "normal." OWASA's yield estimate includes a 20% storage reserve (700 million gallons) that is believed to provide adequate time to implement emergency supply measures during an extreme drought. The Stone Quarry Reservoir expansion that is planned to be completed in the early 2030s will provide between 2.1 and 2.9 MGD of additional yield (above the current 10.5 MGD).

Improvements to increase the filtration capacity of the OWASA's water treatment plant from 15 million gallons per day (MGD) to 20 MGD were completed in 2003. While peak-day demands have not exceeded present capacity, the trend of rising peak demand necessitated the expansion. In 2009, the University and OWASA completed initial construction and testing of a new reclaimed water system that is used by the University for cooling towers at chiller plants. The new reclaimed water system is serving about 15% of system needs, deferring the need for expansion of water supply and treatment capacity. The capacity of both treatment plants is, therefore, adequate to meet current needs, and additional system improvements including future plant expansions are planned through

OWASA's 15-year capital program.

The wastewater collection system includes approximately 351 miles of sewer mains, 11,082 manhole access points and 21 pumping stations conveying waste from OWASA's approximately 22,000 customer sewer accounts to the Mason Farm Wastewater Treatment Plant ("WWTP"). The Mason Farm WWTP was originally constructed in 1948 with an initial capacity of 2.25 MGD. Treatment capacity was increased to 4.5 MGD in 1968. After acquiring the plant in 1977, OWASA expanded the plant capacity to 5.5 MGD. The WWTP was upgraded and expanded to a capacity of 14.5 MGD as part of a multi-year, \$55 million construction project completed in 2007. The average day wastewater flow for the fiscal year ended June 30, 2024, was approximately 7.6 MGD. During this same fiscal year, a maximum day flow of 17.1 MGD was recorded. Highly treated wastewater is recycled to the natural environment at Morgan Creek on the southeast side of Chapel Hill or provided as reclaimed water to the University. Morgan Creek is a tributary of Jordan Lake, a water source for several communities in the region. A recent Wastewater Treatment Plan Hydraulic and Treatment Capacity Study showed that no capacity increase is required at the wastewater treatment plant in the foreseeable future.

Parking Facilities — The Town owns and operates several off-street parking lots in the central business district including a parking facility with 308 spaces which was completed in 1993 and a parking facility underground of a mixed-use development with 154 public spaces which was completed in 2013. In total, the parking enterprise manages 2,160 on-street and off-street parking spaces in the Downtown area. The parking facilities operations are accounted for in separate enterprise funds and are self-supporting.

The Town began construction on a 1,089-space parking deck in the summer of 2021. There will be 100 spaces reserved solely for the support of the University's building of a new Admissions building downtown and the balance of 989 spaces will be for public use. The deck opened in September 2024 with 20 electric charging stations and gated controlled parking. It will eventually replace the 308 spaces at the current Wallace Deck. It is expected that this new deck will allow for the construction of a 200,000+ square foot office building and other developments by supporting the parking needs.

Sanitary Landfill — The Town collects solid waste from residential and commercial customers in the Town. The Town delivers this waste to a transfer station in the City of Durham, operated by GFL Environmental for eventual disposal. The Town contracted with GFL Environmental for municipal solid waste disposal beginning October 1, 2022, and extending through June 30, 2025. The Town continues to review its options for future solid waste disposal with its local partners through the Solid Waste Advisory Group, including the development of a Solid Waste Master Plan by Orange County with a goal of reaching zero waste by 2045.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered by this Official Statement, the Town has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$718,262,308 as of June 30, 2024. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	<u>Principal Outstanding as of</u>			
	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2024</u>
Streets	\$ 9,125,000	\$ 8,575,120	\$ 15,725,234	\$ 14,788,712
Parks and Recreational Facilities	5,995,000	5,637,340	5,279,679	4,922,019
Refunding	10,969,000	9,692,000	8,406,000	7,121,000
Other	<u>12,470,000</u>	<u>11,667,540</u>	<u>18,105,087</u>	<u>16,844,268</u>
Total Outstanding Debt	<u>\$38,559,000</u>	<u>\$35,582,000</u>	<u>\$47,516,000</u>	<u>\$43,676,000</u>

Most Recent Bonds Issued:

2020-21	\$3,205,000 General Obligation Public Improvement Bonds, Series 2021A, 10.39 years average maturity, 1.4186% true interest cost.
	\$7,755,000 General Obligation Affordable Housing Bonds, Series 2021B, 10.34 years average maturity, 1.4141% true interest cost.
2022-23	\$1,980,000 General Obligation Public Safety Bonds, Series 2023A, 5.37 years average maturity, 2.2821% true interest cost.
	\$12,945,000 General Obligation Public Improvement Bonds, Series 2023B, 10.38 years average maturity, 3.0779% true interest cost.

GENERAL OBLIGATION DEBT RATIOS

<u>At June 30</u>	<u>Total</u> <u>GO Debt</u>	<u>Assessed</u> <u>Valuation</u>	<u>Total</u> <u>GO Debt to</u> <u>Assessed Valuation</u>	<u>Population</u> ¹	<u>Total</u> <u>GO Debt</u> <u>Per Capita</u>
2020	\$33,281,000	\$8,283,264,338	0.40%	62,270 ²	\$534.46
2021	38,559,000	8,465,215,257	0.46	62,469	617.25
2022	35,582,000	9,461,547,860	0.38	62,531	569.02
2023	47,516,000	9,537,829,885	0.50	63,288	750.79
2024	43,676,000	9,662,978,846	0.45	63,288 ³	690.12
After the Bonds now offered are issued	\$52,661,000	\$9,797,950,000	0.54%	63,288 ³	\$832.09

¹ Estimates of North Carolina Office of State Budget and Management.

² 2020 Census count, U.S. Census Bureau.

³ For purposes of this schedule, the 2023 population is being used.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year Ending June 30th	Existing Debt		Bonds
			Now Offered ¹
	Principal	Principal & Interest	G.O. Public Improvement 2025
2025	\$ 3,845,000.00	\$ 5,532,497.96	
2026	3,669,000.00	5,185,549.46	\$ 695,000.00
2027	3,622,000.00	4,972,422.16	695,000.00
2028	3,300,000.00	4,500,343.76	695,000.00
2029	3,315,000.00	4,376,636.26	695,000.00
2030	3,325,000.00	4,244,011.26	695,000.00
2031	3,340,000.00	4,121,125.00	695,000.00
2032	2,410,000.00	3,052,446.26	690,000.00
2033	2,315,000.00	2,876,643.76	690,000.00
2034	2,115,000.00	2,597,893.76	690,000.00
2035	2,115,000.00	2,527,112.50	690,000.00
2036	2,115,000.00	2,453,368.76	690,000.00
2037	2,115,000.00	2,379,062.50	690,000.00
2038	1,665,000.00	1,866,875.00	690,000.00
2039	1,040,000.00	1,192,700.00	690,000.00
2040	1,040,000.00	1,159,000.00	690,000.00
2041	1,040,000.00	1,125,300.00	690,000.00
2042	645,000.00	696,600.00	690,000.00
2043	645,000.00	670,800.00	690,000.00
2044			690,000.00
2045			690,000.00
Total	\$ 43,676,000.00	\$ 55,530,388.40	\$ 13,830,000.00

¹ Principal only.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized And Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Parks and Recreation	11/03/2015 ¹	\$ 2,700,000	\$ --	\$ 2,700,000 ²
Stormwater	11/03/2015 ¹	3,200,000	3,200,000	--
Solid Waste	11/03/2015 ¹	5,200,000	--	5,200,000 ²
Refunding	09/05/2019	2,745,000	--	2,745,000 ²
Housing	11/05/2024	15,000,000	3,500,000	11,500,000
Public Facilities	11/05/2024	15,000,000	1,230,000	13,770,000
Streets and Sidewalks	11/05/2024	7,500,000	5,400,000	2,100,000
Parks and Recreation	11/05/2024	4,500,000	500,000	4,000,000
Greenways	11/05/2024	<u>2,000,000</u>	<u>--</u>	<u>2,000,000</u>
Totals		<u>\$59,825,000</u>	<u>\$13,830,000</u>	<u>\$45,995,000</u>

¹ The authorization for these bonds has been extended to November 3, 2025.

² The Town does not plan to issue the remaining bonds under this authorization.

GENERAL OBLIGATION DEBT INFORMATION FOR OVERLAPPING UNIT AS OF JUNE 30, 2024

<u>Unit</u>	<u>2023 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt²</u>		<u>Total GO Debt Per Capita²</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Orange County	150,913	\$23,019,330,145	\$0.8353 ³	\$ --	\$ --	\$ --	\$107,345,000	\$711

¹ Estimate of North Carolina Office of State Budget and Management.

² Does not include non-general obligation debt.

³ An additional tax rate of \$0.00198 is levied in the Chapel Hill-Carrboro School District.

OTHER LONG-TERM COMMITMENTS

In June 2024, the Town issued \$16,161,000 in limited obligation bonds to provide \$12.121 million additional funding towards completing construction of a new parking deck on East Rosemary Street; \$2.3 million for the purchase of a fire ladder truck, and \$1.7 million to upfit the new police department.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,011,000	\$ 721,944	\$ 1,732,944
2026	1,010,000	710,777	1,720,777
Thereafter	<u>14,140,000</u>	<u>5,462,969</u>	<u>19,602,969</u>
Total	<u>\$16,161,000</u>	<u>\$6,895,690</u>	<u>\$23,056,690</u>

In August 2021, the Town issued \$12,047,000 in advanced refunding limited obligation bonds and defeased the 2012 series limited obligation bonds and a 2015 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price exceeded

the net carrying amount of the old debt by \$481,044. This amount is amortized over the life of the refunded debt. The refinancing was undertaken as part of a larger borrowing to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$1.07 million. On June 30, 2024, \$5,550,000 of limited obligation bonds and installment purchase contract is considered defeased.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,816,000	\$ 1,321,642	\$ 5,137,642
2026	2,462,000	1,211,072	3,673,072
Thereafter	<u>34,562,000</u>	<u>7,883,385</u>	<u>42,445,385</u>
Total	<u>\$40,840,000</u>	<u>\$10,416,099</u>	<u>\$51,256,099</u>

The Town entered into a fifteen-year installment purchase contract in March 2016 for \$7,984,000 to renovate various facilities and for Ephesus Fordham Road reconstruction. Maturities of the installment contracts payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 566,000	\$ 86,072	\$ 652,072
2026	572,000	72,941	644,941
Thereafter	<u>2,572,000</u>	<u>180,867</u>	<u>2,752,867</u>
Total	<u>\$3,710,000</u>	<u>\$339,880</u>	<u>\$4,049,880</u>

The Town entered into an installment purchase contract in February 2017 for \$6,408,000 to purchase 14 replacement buses. Maturities of the installment contracts payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$1,403,000	\$ 279,844	\$ 1,682,844
2026	1,442,000	241,516	1,683,516
Thereafter	<u>6,706,000</u>	<u>777,149</u>	<u>7,483,149</u>
Total	<u>\$9,551,000</u>	<u>\$1,298,509</u>	<u>\$10,849,509</u>

For the year ended June 30, 2024, the financial statements include the adoption of GASB Statement No. 87, Leases and GASB Statement No. 96 Subscription-Based Information Technology Arrangements. The primary objective of these statements are to enhance the relevance and consistency of information about governments' leasing and subscription activities.

The Town had one enterprise lease outstanding at June 30, 2024 with a net present value of \$93,831.

The Town had five governmental subscriptions outstanding at June 30, 2024 with a combined net present value of \$63,769.

DEBT OUTLOOK

The Town reviews its capital needs and potential funding sources on an on-going basis.

The Town currently plans to issue the remaining \$33,370,000 of the general obligation bonds authorized in 2024 in three installments estimated for issuance in 2027, 2029, and 2031.

The Town is working on a Brownfields agreement with the NC Department of Environmental Quality to evaluate the grounds at the old police headquarters site. The long-term plan for the site was to build a “multi-agency” facility. The Town decided to lease a new facility for the police department for now and to work on determining the best use need for the long-term use of the existing land site. Council will be discussing interests related to remediation and long-term use plans this spring of 2025.

Tax Information

Assessed Valuation	Fiscal Year Ended/Ending June 30			
	2022	2023	2024	2025
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$8,754,178,419	\$8,795,629,837	\$8,876,404,468	\$8,966,076,633
Personal Property	618,604,665	646,036,515	688,799,325	732,455,693
Public Service Companies ²	<u>88,764,776</u>	<u>96,163,533</u>	<u>97,775,053</u>	<u>99,417,674</u>
Total Assessed Valuation	<u>\$9,461,547,860</u>	<u>\$9,537,829,885</u>	<u>\$9,662,978,846</u>	<u>\$9,797,950,000</u>
Rate per \$100 ³	.514	.522	.572	.592
Levy	\$48,632,356	\$49,797,912	\$55,272,239	\$58,004,000

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by North Carolina Property Tax Commission.

³ Rate includes an amount which goes to the Transit Fund to finance a portion of the operating expense of the Town's bus system, and a portion is dedicated to debt service, as shown in the table below.

Note: Revaluation of real property was effective for the 2022 fiscal year. Orange County for fiscal year 2026 is on a 4-year cycle, and Durham County for fiscal year 2025 was on a 4-year cycle.

TAX RATES

The following table shows the Town's tax rate for the current and four previous fiscal years, on the basis of cents per \$100 of assessed valuation. The tax bill presented to taxpayers is based on the “Total Rate” shown below; the component rates are for the Town's internal purposes.

Fiscal Year	General Fund Rate (cents per \$100)	Transit Rate (cents per \$100)	Debt Rate (cents per \$100)	Total Rate (cents per \$100)
2020-21	38.6	6.0	9.8	54.4
2021-22	37.2	5.4	8.8	51.4
2022-23	37.2	6.2	8.8	52.2
2023-24	42.2	6.2	8.8	57.2
2024-25	43.7	6.7	8.8	59.2

Note 1: The Town created a Municipal Service District effective July 1, 1989 which has a current tax rate of \$0.064 for improvements and services in the downtown area.

Note 2: Revaluation of real property was effective with the fiscal year 2022 tax levy. Orange County for fiscal year 2026 is on a 4-year cycle, and Durham County for fiscal year 2025 was on a 4-year cycle.

The Town is authorized by statute to levy ad valorem taxes on the assessed value of real property within its corporate limits. Taxation for operating purposes may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate except for the following applicable purposes; debt service, deficits, and joint undertakings with any other town, city or political subdivision in providing any of the above functions, services or activities, for which unlimited taxes may be levied.

Taxpayers in the Town are also assessed a special school district tax (currently \$0.198 per \$100 of assessed valuation) and county property taxes from Orange and Durham Counties, as applicable to the location of their property.

TAX COLLECTIONS

<u>Year Ended June 30</u>	<u>Prior Years' Levy Collected</u>	<u>Current Year's Levy Collected</u>	<u>Current Year's Levy Collected</u>
2020	\$176,549	\$44,871,448	99.58%
2021	168,217	45,882,304	99.63
2022	173,422	48,492,226	99.71
2023	127,815	49,787,472	99.72
2024	129,813	55,272,239	99.72

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2023-24

<u>Name</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage of Total Valuation</u>
Chapel Hill Foundation Real Estate Holdings Inc.	Shopping Center	\$ 112,650,500	\$ 644,361	1.17%
NR Edge Apartments Property Owner LLC	Apartments/Retail	83,855,700	479,655	0.87
BIR Chapel Hill LLC	Apartments/Retail	80,124,700	458,313	0.83
Townhouse Apartments LLC	Apartment Rental	70,175,272	401,403	0.73
Northwestern Mutual Life (Chapel Watch Apartments)	Apartment Rental	68,747,589	393,236	0.71
KV Chapel Hill Owner LLC	Apartment Rental	57,990,305	331,705	0.60
Duke Energy Carolinas LLC	Public Utility	57,053,580	326,346	0.59
State Employees Credit Union	Bank	50,684,665	289,916	0.52
Health Systems Properties LLC	Medical	46,667,933	266,941	0.48
East 54 Office Retail LLC	Office/Retail	<u>45,114,900</u>	<u>258,057</u>	<u>0.47</u>
		<u>\$ 673,065,144</u>	<u>\$ 3,849,933</u>	<u>6.97%</u>

Budget Commentary for 2024-2025

The Town has developed a rolling five-year budget outlook that lays out the Town's priorities and interests over the next five years. This outlook is used to help guide discussions during the budget process. Post pandemic, revenues have mostly stabilized, and the Town anticipates continued growth in these areas.

Sales tax revenues were projected to grow by 4.5%. However, current year projections are closer to 1% growth. In order to fill the gap, the Town is holding vacant positions for the 4th quarter and reviewing all year-end spending for things that can wait until the new year.

In general, revenues are not keeping pace with the increase in expenditures. The Town continues to see slow growth in the property tax base from new development. The average growth is

only 1.14% per year. Increases to the costs of doing business associated with the economic impacts of inflation have exacerbated the increase in expenditures, as well as the need to raise employee salaries due to inflation. Delays in the construction of major approved development projects and the diminishing supply of developable land have exacerbated these problems. After many years of minimal tax increases, the Town had a five-cent increase in FY 2024 and a two-cent increase in FY 2025 in order to address many backlogs (facility maintenance, vehicle replacement, operating cost increases) and to address community priorities (affordable housing, climate action, parks & recreation, greenways, etc.).

For FY 2026, Orange County and Durham County have revalued their property as of January 1, 2025, and the average growth to the tax base is 34%. We anticipate this will have a significant positive impact on the budget and that it will provide the opportunity to provide resilience to the budget to handle an unpredictable future, cover the decline in sales tax revenues, reduce the Town's reliance on fund balance, and continue to fund the priorities identified in the 5-year budget outlook.

The Town was awarded \$10,668,497 in American Rescue Plan Act (ARPA) funds to assist with recovery from the COVID pandemic. With these funds, which have federal limitations on eligible uses, the Town is investing in areas that have backlogs and recovery efforts, such as ReVive, a downtown economic recovery program, so the community can bridge the gap from where it has been and where the Town plans to go as a community. As of December 31, 2024, the Town has allocated our full award in community partner funding, affordable housing projects, parks and facility infrastructure projects, and downtown economic recovery, and spent \$5,844,591.

Pension Plans

The Town participates in the North Carolina Local Governmental Employees' Retirement System and three other pension plans.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate was 12.85% of eligible payroll for general employees and 14.10% of eligible payroll for law enforcement officers for the year ended June 30, 2024. The contribution rates for the fiscal year ending June 30, 2025 have been set at 13.60% for general employees and at 15.10% for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the system are determined on an actuarial basis.

For additional information concerning the Town's participation in the North Carolina Local Governmental Employees' Retirement System see the Notes to the Basic Financial Statements of the Town in Appendix D.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Annual Comprehensive Financial Report ("ACFR") for the State. Please refer to the State's ACFR for additional information.

Other Pension Plans — The Town also participates in the (1) Law Enforcement Officers' Special Separation Allowance, (2) Supplemental Retirement Income Plan for Law Enforcement Officers and (3) Supplemental Retirement Income Plan for all Other Employees. For information concerning the Town's participation in such plans see the Notes to the Basic Financial Statements of the Town in Appendix D.

Other Post-Employment Benefits

For employees hired on or before June 30, 2010, the Town contributes to employee health insurance and allows employees to participate in a dental insurance program. Pursuant to a Town resolution, the Town provides postretirement health and dental benefits to retirees and Town Council members of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for employees who retire with 20 years of creditable service; 75% of the cost of coverage for retirees with 15 years of creditable service; 50% of the cost of coverage for retirees with 10 years of creditable service, and 25% of the cost for retirees with 5 years of creditable service. When they reach the age of 65, Town retirees are eligible for the Medicare supplement reimbursement. The retiree must have been covered under the Town's health plan immediately before reaching age 65.

In an effort to manage the future liability for retiree health benefits, the Council adopted a change to retiree health benefits for employees who are hired after June 30, 2010. Those employees will take part in a defined contribution plan, wherein the Town will contribute \$35 per biweekly payroll and the employees will contribute 1% of pre-tax earnings to a retiree health savings plan for the employees. Participation is mandatory and the employee's portion is portable if the employee leaves the Town before retirement. The employer's portion vests according to the following schedule:

25%	After 5 years
50%	After 10 years
75%	After 15 years
100%	After 20 years

Over the last 14 years, this change has significantly reduced the Town's OPEB liability as membership in the old plan decreased and membership in the new plan increased. In addition to this change, the Town moved its post-65 retirees to Medicare as their primary insurer and a newly created plan with comparable benefits to active employees as their secondary insurer. This created a significant amount of cost savings and also helped significantly decrease the Town's OPEB liability.

The Town contracted with an actuarial firm to conduct an actuarial study on the other post-employment benefits (OPEB) through June 30, 2024 and in accordance with GASB 68, the Town's financial statements for fiscal year 2024 report the annual required contribution (ARC) to fund the future liability for employee health insurance. The actuarial study determined that the Town's net OPEB liability at June 30, 2024 was \$30,479,571. The Town has historically funded health benefits for retirees on a pay as you go basis. For the year ended June 30, 2024, the Town paid \$2,274,761 for retiree health benefits.

In June of 2016 the Town created an irrevocable trust exclusively for pre-funding assets of the Town's defined benefit retiree healthcare plan. Funds held in the irrevocable trust can only be used for OPEB related costs. The Town contributed \$454,700 to the trust in FY 2021 - FY 2024. The total balance in the trust as of June 30, 2024 was \$8,639,705.

LITIGATION

The Town is not a party to any litigation, the outcome of which, the Town believes, would materially adversely affect the Town's ability to meet its financial obligations.

CONTINUING DISCLOSURE

In a resolution adopted by the Town, the Town has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board ("MSRB"), the following:

- (a) by not later than seven months from the end of each fiscal year of the Town, audited financial statements of the Town for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Town are not available by seven months from the end of such fiscal year, unaudited financial statements of the Town for such fiscal year to be replaced subsequently by audited financial statements of the Town to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Town, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "The Town - Debt Information - Tax Information" in this Official Statement (excluding any information on overlapping or underlying units) and (ii) the combined budget of the Town for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modification to rights of the beneficial owners of the Bonds; if material;

- (8) Bond calls other than mandatory sinking fund redemptions, if material, and tender offers;
 - (9) defeasance of any of the Bonds;
 - (10) release, substitution or sale of any property securing repayment of the Bonds;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar proceedings related to the Town or any other person or entity that may at any time become legally obligated to make payments on the Bonds (collectively, the “Obligated Persons”);
 - (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect beneficial owners of the bonds, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Town, any of which reflect financial difficulties; and
- (d) in a timely manner, to the MSRB, notice of a failure of the Town to provide required annual financial information described in (a) or (b) above on or before the date specified.

The Town shall provide the documents referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The Town may discharge its undertaking described above in any manner that the U.S. Securities and Exchange Commission subsequently authorizes in lieu of the manner described above.

For purposes of sections 15 and 16 above, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934 (the Rule).

At present, Section 159-34 of the General Statutes of North Carolina requires the Town’s financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

The resolution also provides that if the Town fails to comply with the undertaking described above, any beneficial owner of the Bonds then outstanding may take action to protect and enforce the

rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the Town will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Town, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 (the Rule) as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the Town (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with the Rule, in full of the principal of and interest on all of the Bonds.

The Town is not aware of any instance in which it has failed, during the previous five years, to comply, in any material respect with its prior continuing disclosure undertakings under Rule 15c-12.

The Town has adopted a procedure with respect to the posting of continuing disclosure material. One staff member has primary responsibility to carry out the posting of the prepared material, and a separate staff member will later verify that the material has properly posted on EMMA with reference to all relevant securities.

CYBERSECURITY

The Town, like many large public and private organizations, depends on a sophisticated technology infrastructure to manage its operations and faces a variety of cybersecurity threats, such as hacking, phishing, viruses, malware, and other attacks on its digital networks and systems. Given its role in handling personal, private, or sensitive information, the Town is a potential target for cybersecurity incidents that could have serious repercussions, necessitating swift action to minimize damage.

Cybersecurity is a constant focus for the Town. The Chief Information Officer (CIO) oversees all digital services, including cybersecurity, while the Chief Information Security Officer (CISO) oversees planning and implementing cybersecurity measures. The CIO and CISO frequently collaborate with the Network and Operations Teams to address threats and vulnerabilities identified

by the State, FBI, Homeland Security, Microsoft, and other vendors. They also monitor the operational status and effectiveness of the various layers of the Town's cybersecurity systems and discuss information security strategies and initiatives.

The Town employs a multilayered cybersecurity strategy to prevent, detect, and mitigate threats. These layers include:

- Information Security Awareness Training
- Firewalls that block unauthorized connections
- Virtual Private Networks (VPNs) for secure, encrypted connections
- Spam filtering to block and quarantine suspicious emails
- Multi-factor authentication for added security
- Multiple data centers and cloud-based offline backups to reduce the risk of encryption-based attacks
- Managed Security Service Provider for 24/7 monitoring and response

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters related to the authorization and issuance of the Bonds are subject to the approving legal opinion of Sanford Holshouser PLLC, Carrboro, North Carolina, Bond Counsel for the Town ("Bond Counsel"). Bond Counsel's approving legal opinion will be provided at the Town's expense and will be available at the time of the delivery of the Bonds.

The proposed form of Bond Counsel's approving opinion is attached as Appendix E.

Bond Counsel's approving legal opinion expresses Bond Counsel's professional judgment as to the legal issues explicitly addressed in the opinion. By rendering a legal opinion, an opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Additionally, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction and a bond opinion is not a statement (either expressly or by implication) concerning the marketability, value or likelihood of payment of the Bonds.

Bond Counsel has not been engaged to investigate the Town's operations or condition or the Town's ability to provide for payments on the Bonds. Bond Counsel will express no opinion (1) as to the Town's ability to provide for payments on the Bonds, or (2) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in making a decision to purchase Bonds, including this Official Statement. In this transaction, Bond Counsel will serve only as bond counsel to the Town, and will not represent any bidder or the purchaser of the Bonds.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services have given the Bonds ratings of Aaa and AAA, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Sanford Holshouser PLLC, Carrboro, North Carolina, Bond Counsel for the Town ("Bond Counsel"), under existing law, interest on the Bonds (1) will not be included in gross income for federal income tax purposes under Section 103 of the "Code," as defined below, and (2) will be exempt from existing State of North Carolina income taxation. Interest on the Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax, but may be taken into account in determining the alternative minimum tax imposed on certain corporations.

Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Bond Counsel will give its opinion in reliance upon certification by Town representatives and others as to certain facts relevant to the opinion and to the requirements of the United States Internal Revenue Code of 1986, as amended (the "Code"). The Town has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the Bonds and the timely payment to the United States of any arbitrage profit with respect to the Bonds. The Town's failure to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Discount Bonds and Premium Bonds

_____, as lead underwriter of the Bonds, has advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on February 1, ____ to _____, inclusive, (the "Discount Bonds"), are less than the respective amounts payable at maturity.¹ An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amounts payable at maturity constitutes original issue discount ("OID"). Owners of Discount Bonds should consult their own tax advisors as to the determination for federal tax purposes of the amount of OID properly accruing each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State of North Carolina and local tax purposes.

_____, as lead underwriter of the Bonds, has also advised the Local Government Commission of North Carolina that the initial public offering prices of the Bonds maturing on February 1, ____ to _____, inclusive, (the "Premium Bonds"), are greater than the amounts payable at maturity.¹ The difference between the amount payable at maturity of the Premium Bonds and the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases the Premium Bonds at the initial offering price is "Bond Premium." Bond Premium is amortized over the term of the Premium Bonds for federal income tax purposes. Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable Bond Premium attributable to each taxable year the Premium Bonds are held.

¹ Information provided by the underwriters of the Bonds.

Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of the Premium Bonds and with respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel's opinion will not specifically address the tax treatment of OID or Bond Premium, or the status of any particular receipt or payment as the receipt or payment of OID or Bond Premium, for any of the Bonds.

Other Tax Consequences

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Interest on the Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any such jurisdiction other than North Carolina.

FINANCIAL ADVISOR

Davenport & Company LLC, Charlotte, North Carolina has acted as financial advisor to the Town in connection with the issuance of the Bonds and has assisted in structuring the Bonds.

UNDERWRITING

The underwriters for the Bonds are _____.¹

The underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total underwriters' discount of _____.¹ The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

¹ Information provided by the underwriters of the Bonds.

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MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

References herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Town Council of the Town.

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By

Jennifer Wimmer
Deputy Secretary of the Commission

TOWN OF CHAPEL HILL, NORTH CAROLINA

By

Jessica Anderson
Mayor

By

Mary Jane Nirdlinger
Interim Town Manager

By

Amy Oland
Director of Business Management

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

Constitutional Provisions

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

The Local Government Bond Act

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

Short-Term Obligations

Bond Anticipation Notes - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

The Local Government Budget and Fiscal Control Act

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

Budget - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

Major General Fund Revenue Sources

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
 - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
 - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
 - (c) Certain pollution abatement and resource recovery equipment.
 - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
 - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
 - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

Appraisal Standard - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

Alcoholic Beverage Control Store Profits

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

Intragovernmental Shared Revenues

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

State and Local Fiscal Relations

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

Court System - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

Highway System - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the Town, lifted from the Annual Comprehensive Financial Report for the Town of Chapel Hill for the fiscal year ended June 30, 2024. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the Town's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the Town have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

Management's Discussion and Analysis

Our discussion is intended as an overview of the financial performance of the Town of Chapel Hill for the fiscal year ended June 30, 2024. The financial statements and notes included in this report present the financial position and operations of governmental and business activities of the town. During the fiscal year, the Town continued its sound current and long-range policies for financial management. These policies are intended to:

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

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

Financial Highlights

Highlights of the Town's fiscal year ended June 30, 2024, include:

- The assets and deferred outflows of resources of the Town of Chapel Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$184.0 million (net position).
- The government's total net position increased by about \$16.9 million, the total of a \$8.4 million increase in governmental activities net position and a \$8.5 million increase in business-type activities net position. The governmental activities increase is largely the result capital related expenditures (East Rosemary Parking Deck, Estes Drive improvements, and Homestead Road sidewalk) and increases in debt with the issuance of the 2024 limited obligation bonds, a large increase in the net pension liability for LGERS, offset by the debt payments made in FY 2024. The business-type activities increase is largely due to capital contributions from the Transit Capital Grants fund and the purchase of seven electric buses and lapsed salary savings due to the job market and operational cost savings.
- At June 30, 2024, total net position was \$184.0 million which is made up of \$129.7 million invested in capital assets, \$22.2 restricted net position which has been reserved for specific purposes, and a remaining balance of \$32.1 million that is unrestricted. Restrictions for Stabilization by State Statue accounts for \$21.7 million of net position, largely representing debt service (\$9.2 million), outstanding purchase orders for ongoing Town operating costs (\$1.8 million), and the remaining representing receivables due to the Town.
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$85.6 million, a decrease of \$7.9 million in comparison with the prior year. This net decrease is largely due to the 2024 limited obligation bonds

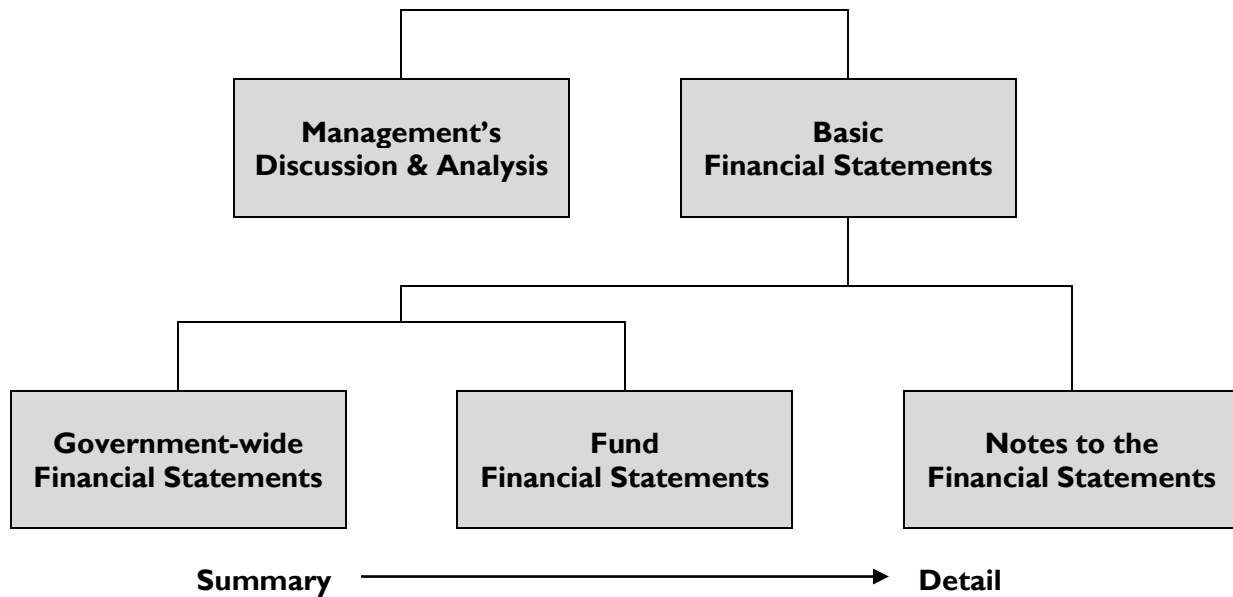
Management's Discussion and Analysis

issuance less the capital related expenditures in FY 2024 (specifically tied to the East Rosemary Parking Deck) and lapsed salary and operational cost savings.

- Unassigned fund balance of the General Fund (totaling approximately \$20.8 million) continues to meet working capital requirements and a policy of reserving at least 12% of total expenditures. Legal provisions and financial policies of the Town restrict fund balance in other funds for the purposes of those funds.
- The Town's total long-term liabilities increased by \$11.6 million to \$188.0 million because of the issuance of the 2024 limited obligation bonds to complete the East Rosemary Parking Deck and to purchase a ladder truck and furniture/fixtures for the new PD station and a large increase in the net pension liability for LGERS (due to actuarially determined plan projections) offset by annual debt payments and decreases to the net OPEB liability.
- For FY 2024, the Town adopted a tax rate at 57.2 cents, a 5.0 cent increase, in line with the Town's 5-year budget strategy to help support the Town's priority spending areas.
- Property taxes supported 47.6% of the governmental services to citizens and the community in fiscal year 2024.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements

Required Components of Annual Comprehensive Financial Report



Management's Discussion and Analysis

Basic Financial Statements

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements (Exhibits 3 through 12) provide more detail about the Town's most significant activities. Funds are used to maintain control over resources that are to be segregated for specific activities or purpose. Fund accounting ensures and reflects compliance with finance-related legal requirements, such as the General Statutes, grantor provisions and the Town's budget ordinance. Fund Financial Statements are divided into governmental, proprietary, and fiduciary fund statements.

Management's Discussion and Analysis

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

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The Town uses a fiduciary fund to account for the Town's contributions for healthcare coverage provided to qualified retirees.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 41 through 98 of this report.

Supplemental Information includes certain required information concerning the Town's progress in funding its obligation to provide separation allowance for law enforcement officers and other postemployment benefits. Required supplementary information can be found beginning on page 99 of this report.

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

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

Management's Discussion and Analysis

Government-Wide Financial Analysis

Figure 2 below is a summary of net position for the Town of Chapel Hill at June 30, 2024 (as shown in Exhibit 1) with comparative data from June 30, 2023.

Town of Chapel Hill's Net Position Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 107,231,051	\$ 114,653,448	\$ 69,447,986	\$ 65,986,159	\$ 176,679,037	\$ 180,639,607
Capital assets	166,649,128	143,746,667	42,903,711	39,091,914	209,552,839	182,838,581
Total assets	273,880,179	258,400,115	112,351,697	105,078,073	386,231,876	363,478,188
Total deferred outflows of resources	18,292,136	16,702,809	6,765,700	6,214,386	25,057,836	22,917,195
Current liabilities	32,006,206	29,653,442	5,224,058	4,007,395	37,230,264	33,660,837
Non-current liabilities	158,535,034	147,041,938	29,502,271	29,395,251	188,037,305	176,437,189
Total liabilities	190,541,240	176,695,380	34,726,329	33,402,646	225,267,569	210,098,026
Deferred inflows of resources	1,519,853	6,719,232	483,546	2,473,328	2,003,399	9,192,560
Net position:						
Net investment in capital assets	89,875,363	81,211,942	39,786,397	34,133,753	129,661,760	115,345,695
Restricted for:						
Stabilization by State Statute	21,733,107	19,927,655	-	-	21,733,107	19,927,655
Capital projects	288,610	1,227,873	-	-	288,610	1,227,873
Inspections	129,583	655,158	-	-	129,583	655,158
Public housing	130,433	130,269	-	-	130,433	130,269
Other functions	-	-	-	-	-	-
Unrestricted	(12,045,874)	(11,464,585)	44,121,125	41,282,732	32,075,251	29,818,147
Total net position	\$ 100,111,222	\$ 91,688,312	\$ 83,907,522	\$ 75,416,485	\$ 184,018,744	\$ 167,104,797

Net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflow of resources of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$184.0 million as of June 30, 2024. The Town's net position increased by a total of \$16.9 million, the total of a \$8.4 million increase in governmental activities net position and a \$8.5 million increase in business-type activities net position. The governmental activities increase is largely the result capital related expenditures (East Rosemary Parking Deck, Estes Drive improvements, and Homestead Road sidewalk) and increases in debt with the issuance of the 2024 limited obligation bonds, a large increase in the net pension liability for LGERS, offset by the debt payments made in FY 2024. The business-type activities increase is largely due to capital contributions from the Transit Capital Grants fund and the purchase of seven electric buses and lapsed salary savings due to the job market and operational cost savings.

The largest portion of net position (about \$129.7 million) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related

Management's Discussion and Analysis

debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A large portion of the Town of Chapel Hill's net position (about \$22.2 million) represents resources that are subject to external restrictions on how they may be used, leaving a remaining balance of \$32.1 million in unrestricted net position.

Current and other assets decreased by \$4.0 million from the prior year. Most of this decrease is due to spending down proceeds from general obligation & limited obligation bond issuances. Capital assets are up \$26.7 million from the prior year due to capital expenditures for large scale projects (including the East Rosemary Parking Deck, Estes Drive improvements, and Homestead Road sidewalk) tied to recent borrowings.

Total liabilities are up \$15.2 million from the prior year. This is due to the 2024 limited obligation bond issuance, a large increase in the net pension liability, offset by annual debt service and a decrease to the net OPEB liability.

The Town of Chapel Hill implemented GASB Statement 96 in FY 2023. The implementation of the statement required the Town to recognize all IT subscriptions as an asset and a liability.

The Town of Chapel Hill implemented GASB Statement 87 in FY 2022. The implementation of the statement required the Town to recognize all lessee and lessor leases under a single reporting model.

Governmental activities. Governmental activities show an increase in net position of about \$8.4 million. Most of the increase in the governmental activities net position is the new debt from the 2024 limited obligation bond issuance, a large increase in the net pension liability for LGERS, offset by capital expenditures for large scale projects where the Town recently borrowed funds to complete.

Business-type activities: Business-type activities show an increase in net position of about \$8.5 million which was largely attributed to the capital contribution in the Transit Fund from the purchase of 7 electric buses in the Transit Capital Grants Fund. There were smaller increases in Parking and Stormwater due to a normal amount of lapsed salary and operational savings. There was a planned decrease in the Housing Fund due to the Trinity Court project contribution.

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2024, with comparative data for June 30, 2023.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 8,146,105	\$ 9,854,613	\$ 8,071,500	\$ 8,003,109	\$ 16,217,605	\$ 17,857,722
Operating grants and contributions	6,398,685	6,213,385	28,885,386	23,666,484	35,284,071	29,879,869
Capital grants and contributions	12,594,217	3,242,227	8,985,741	1,453,225	21,579,958	4,695,452
General revenues:						
Taxes	72,765,403	66,645,209	5,983,593	5,909,203	78,748,996	72,554,412
Grants and contributions not restricted to specific programs	6,095,059	5,346,418	-	-	6,095,059	5,346,418
Investment earnings	3,479,076	2,160,179	2,364,287	881,398	5,843,363	3,041,577
Other	2,293,412	1,756,672	36,245	75,295	2,329,657	1,831,967
Total revenues	111,771,957	95,218,703	54,326,752	39,988,714	166,098,709	135,207,417
Expenses:						
General government	19,224,518	16,712,092	-	-	19,224,518	16,712,092
Environment and development	36,105,253	29,093,531	-	-	36,105,253	29,093,531
Public safety	29,699,796	24,308,967	-	-	29,699,796	24,308,967
Leisure activities	16,897,412	13,871,414	-	-	16,897,412	13,871,414
Interest expense	2,595,056	2,214,168	-	-	2,595,056	2,214,168
Transportation	-	-	35,227,924	30,106,122	35,227,924	30,106,122
Parking facilities	-	-	2,107,049	1,934,504	2,107,049	1,934,504
Housing operations	-	-	4,338,655	2,721,018	4,338,655	2,721,018
Stormwater management	-	-	2,989,099	2,570,213	2,989,099	2,570,213
Total expenses	104,522,035	86,200,172	44,662,727	37,331,857	149,184,762	123,532,029
Increase (decrease) in net position before transfers	7,249,922	9,018,531	9,664,025	2,656,857	16,913,947	11,675,388
Transfers	1,172,988	633,408	(1,172,988)	(633,408)	-	-
Increase (decrease) in net position	8,422,910	9,651,939	8,491,037	2,023,449	16,913,947	11,675,388
Net position, July 1	91,688,312	82,036,373	75,416,485	73,393,036	167,104,797	155,429,409
Net position, June 30	\$ 100,111,222	\$ 91,688,312	\$ 83,907,522	\$ 75,416,485	\$ 184,018,744	\$ 167,104,797

Financial Analysis of the Town's Funds

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

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

Management's Discussion and Analysis

At June 30, 2024, the governmental funds of Chapel Hill reported a combined fund balance of about \$85.6 million, a decrease of \$7.9 million or 8.4% from last year.

The General Fund is the chief operating fund of Chapel Hill. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$20.8 million, with total fund balance of \$35.5 million. The fund balance available for appropriation according to the statutory calculation is 24.6% of expenditures for FY24, and the Town Council target policy requires that we maintain at least a fund balance of 22% of expenditures in case of unforeseen needs. Unassigned fund balance represents 58.5% of total fund balance. Total fund balance, which includes reserves and designated amounts, represents 42.0% of total 2023-24 General Fund expenditures and other uses. The total fund balance had a planned decrease of about \$306K to help address organizational needs.

The Debt Service Fund, funded by a portion of the property tax rate and committed by the Council to making debt payments, had a planned decrease in fund balance of \$91K to cover debt service costs.

The Capital Projects Ordinance Fund reflects an \$8.4 million decrease in fund balance, representing the issuance of the 2024 limited obligation bonds offset by the planned capital expenditures for the projects covered under this and previous years' borrowings.

The American Rescue Plan Fund represents \$5.3 million in cash that was received in May 2021 and an additional \$5.3 million in cash that was received in June 2022. The sum of these two payments less the amount spent in prior years plus the current year expenditures of \$1.2 million was deferred until projects are completed.

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.

Revenues were about \$1.4 million more than budgeted. The increase is due to conservative budget practices in budgeting revenues and higher than anticipated revenues for interest income, occupancy tax, and utility franchise tax offset by less than anticipated revenues for property taxes and sales taxes.

Expenditures were about \$3.5 million less than budgeted. About \$1.9 million represents lapsed salary and benefit savings from vacant positions, \$235K from economic incentives that won't be paid out until FY 2024, and other various operational savings. About \$832K represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$2.5 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year was \$35.8 million for the Transit Fund, \$3.6 million for the Housing Operating Fund and \$6.2 million for the Stormwater Management Fund. The Parking Facilities Fund shows a deficit in unrestricted net position of \$1.5 million with \$3.5 million invested in capital assets, net of related debt. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. Figure 4 represents the Town of Chapel Hill's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities. As of June 30, 2024, capital assets totaled \$209.6 million compared with \$182.8 million in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles, other equipment, right to use assets for leases and IT subscriptions.

Major capital asset transactions during the year include the following: East Rosemary Parking Deck, Estes Drive improvements, Homestead Road sidewalk, Elliott Road reconstruction, and bus purchases.

Town of Chapel Hill Capital Assets (net of depreciation & amortization) Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 39,824,974	\$ 39,426,813	\$ 7,341,298	\$ 7,341,298	\$ 47,166,272	\$ 46,768,111
Easements	696,434	678,950	3,000	3,000	699,434	681,950
Land improvements	34,727,069	22,017,439	4,910,561	5,316,351	39,637,630	27,333,790
Infrastructure	-	269,193	-	-	-	269,193
Buildings and building improvements	25,477,087	27,189,607	9,121,626	9,773,571	34,598,713	36,963,178
Equipment	1,034,839	726,384	968,349	638,459	2,003,188	1,364,843
Vehicles	6,162,301	4,722,725	20,137,561	15,261,571	26,299,862	19,984,296
Construction in progress	58,629,725	48,521,426	340,870	587,744	58,970,595	49,109,170
Right to use assets:						
Leased land	-	6,998	-	-	-	6,998
Leased land improvements	-	-	-	20,520	-	20,520
Leased buildings	-	-	80,446	149,400	80,446	149,400
IT subscriptions	96,699	187,132	-	-	96,699	187,132
Total	\$ 166,649,128	\$ 143,746,667	\$ 42,903,711	\$ 39,091,914	\$ 209,552,839	\$ 182,838,581

Additional information on the Town's capital assets can be found in Note F, Capital Assets beginning on page 60 of the Basic Financial Statements.

Long-term Debt. As shown in Figure 5, as of June 30, 2024, the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$43,676,000. The Town also had \$57,001,000 of debt in limited obligation bonds for the construction of the East Rosemary Parking Deck, Elliott Road reconstruction project, to refund the 2012 limited obligation bonds for funding construction of the Town Operations Center and the 140 West Parking Deck, and to refund installment notes for renovations to various municipal facilities. The Town's total debt of about \$202.5 million also includes the net other postemployment liability of \$30.5 million as required by GASB 75, total pension liability of \$7.3 million for the law enforcement special separation allowance as required by

Management's Discussion and Analysis

GASB 73 and \$36.7 for LGERS. For more information on these GASB statements and their effect on the Town's financial statements, please refer to pages 67-81 of the Notes to the Financial Statements.

Town of Chapel Hill Outstanding Debt Figure 5						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 41,786,000	\$ 45,491,000	\$ 1,890,000	\$ 2,025,000	\$ 43,676,000	\$ 47,516,000
Limited obligation bonds	57,001,000	44,900,000	-	-	57,001,000	44,900,000
Installment notes payable	3,710,000	4,268,000	9,551,000	10,889,000	13,261,000	15,157,000
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Bond premium	9,231,585	9,922,381	90,686	97,164	9,322,271	10,019,545
Lease liability	-	-	92,481	157,112	92,481	157,112
IT subscription liability	61,390	176,189	-	-	61,390	176,189
Total pension liability for LEO	7,288,242	6,398,481	-	-	7,288,242	6,398,481
Net pension liability for LGERS	26,023,950	21,365,683	10,697,756	8,795,084	36,721,706	30,160,767
Compensated absences	3,561,348	3,356,706	867,652	858,183	4,429,000	4,214,889
Net other postemployment liability	21,695,359	21,894,043	8,784,212	8,864,657	30,479,571	30,758,700
Total	\$170,482,020	\$157,895,629	\$ 31,973,787	\$ 31,686,200	\$202,455,807	\$189,581,829

The Town's total debt from governmental activities increased by \$12.6 million or 8.0%, to \$170.5 million during the past fiscal year. The increase represents the increase in limited obligation bonds due to the issuance in the current year and the large increase to the net pension liability for LGERS offset by payments made during the year toward general obligation bonds, limited obligation bonds, installment notes payable, and other debt.

Business-type debt increased by about \$288K or 0.9% to \$32.0 million, resulting mostly from the large increase to the net pension liability for LGERS offset by payments made during the year toward general obligation bonds, installments notes payable, and other debt.

As mentioned in the financial highlights section of this document, at June 30, 2024 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation. The Town of Chapel Hill is among a small number of municipalities its size in the country that maintains such a high financial rating. This achievement assists the Town to keep low interest cost on outstanding debt.

In November 2015, the Town held a general obligation bond referendum in the amount of \$40,300,000 that was approved by its citizens. In February 2017, the Town issued \$9 million in general obligation bonds as follows: \$5 million for greenways and trails, \$3 million for streets and sidewalks and \$1 million for general park improvements. In April 2018, the Town issued \$12.5 million in general obligation bonds as follows: \$5.5 million for streets and sidewalks, \$4.3 million for park facilities and \$2.7 million for stormwater. In March 2023, the Town issued \$7.7 million in general obligation bonds for streets & sidewalks.

Management's Discussion and Analysis

In November 2018, the Town held a general obligation bond referendum in the amount of \$10,000,000 that was approved by its citizens for affordable housing. In April 2021, the Town issued \$4.755 million in general obligation bonds for affordable housing projects in the community. In March 2023, the Town issued the remaining \$5.245 million in general obligation bonds for affordable housing projects in the community.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chapel Hill is about \$718 million, which is well above the town's outstanding debt for general obligation bonds of approximately \$43.7 million plus the \$11.1 million authorized but unissued, which combined is about 7.1% of the Town's legal debt limit.

Additional information regarding the Town of Chapel Hill's long-term debt can be found beginning on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town was awarded \$10.67 million in Coronavirus State and Local Fiscal Recovery Funds to support the pandemic response efforts and replace lost revenue. The Town has spent \$3.4 million and has allocated the remaining amounts on eligible projects including downtown revitalization, parks & recreation capital needs, affordable housing, and funding community partners. Funds will be contractually obligated by the December 31, 2024 deadline and expended by the December 31, 2026 deadline.
- The Town of Chapel Hill had an unemployment rate of about 3.4% at June 30, 2024 which is just below the state average of 3.6%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.
- The Town is experiencing a significant amount of growth and development of commercial properties in the downtown area.

Budget Highlights for the Fiscal Year Ending June 30, 2025

Governmental Activities:

General Fund revenues budgeted for FY 2025 total \$89.5 million. Town Council adopted a tax rate of 59.2 cents for the FY 24-25 budget, which represents a 2.0 cent increase over the prior year. The breakdown in cents per \$100 valuation is as follows: General Fund 43.7 cents, Debt Service Fund 8.8 cents and Transit Fund 6.7 cents. The tax base for 2024-25 is estimated to be \$9.79 billion, a 0.6% increase over prior year, which is in line with expected annual growth. Property taxes are budgeted at \$42.8 million for the General Fund.

Sales taxes are budgeted at \$23.0 million, a 4.5% increase from prior year as we have continued to budget conservatively while actual collections continue to exceed expectations. Growth is projected in licenses and permits (inspection permits) which are budgeted at \$3.5 million, a 11.2% increase from prior year budget, charges for services which are budgeted at \$5.6 million, a 3.8% increase from prior year budget (parks facilities and program revenues) and occupancy tax which is budgeted at \$1.7 million,

Management's Discussion and Analysis

a 13.3% increase from prior year budget (tourism returns to pre-pandemic levels). Appropriated fund balance is budgeted at \$2.5 million.

General Fund expenditures of \$89.5 million represent an 5.4% increase from the budget for 2023-24. The goal of the budget is to align allocations with Council and community priorities. The 2-cent tax increase for FY 2025 focuses on personnel, facilities, capital, vehicle replacements, and affordable housing. The Town's 5-year budget strategy helped design and shape the budget focus areas with a forward look to restores our focus on long-term priorities, especially those that will require an ongoing commitment such as employee pay, affordable housing, climate action, social equity, and infrastructure.

Debt service costs in 2024-25 are budgeted at \$9.7 million. The Debt Service tax rate, which remains the same in 2025, of 8.8 cents per \$100 in valuation is expected to generate about \$8.6 million. Revenues are anticipated to be more than sufficient to offset existing debt service costs.

Other governmental activities budgeted for 2024-25 reflect a continuation of existing service levels in keeping with budget goals.

Business-type Activities:

The Transit Fund's 2024-25 budget of \$36.7 million continues the fare-free system with increases in contributions from the system partners, the University of North Carolina and Town of Carrboro, and the Town with the 21.4% annual growth in the dedicated portion of the Town's tax rate (0.5 cent increase to 6.7 cents) allocated to Transit and corresponding increases for the other partners. Overall, the Transit budget increased 14.0% over the 2023-24 budget.

The Parking Facilities Fund budget decreased 9.5% overall from 2023-24 due to the opening of the East Rosemary Parking Deck and with the generation of parking fees from the new deck it is anticipated that a smaller transfer will be needed from the Debt Service Fund to cover debt service.

The Housing Operations budget increased 4.3% overall from 2023-24 with an anticipated increase in tenant rent revenues which is somewhat offset by an anticipated decrease in HUD contributions which help manage the public housing program.

Stormwater Management's budget increased 7.3% overall from 2023-24 to cover the increase in personnel costs.

Requests for Information

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

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Financial Information

Financial Statements

The financial statements of the Town have been audited by certified public accountants for the fiscal years ended June 30, 2024, 2023 and 2022. Copies of these financial statements containing the reports of the independent certified public accountants are available in the office of Amy Oland, Director of Business Management, 405 Martin Luther King Jr. Blvd., Chapel Hill, NC 27514, or on the Town's website at:

<https://www.townofchapelhill.org/government/departments-services/business-management/financial-statements>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report each year since 1985, including the fiscal year ended June 30, 2024. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements.

The Town financial statements present the government-wide financial statements, which are shown on pages D-2 through D-5 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the Town's ability to manage and estimate its resources. See page D-15 for the presentation of the Town's budgetary statement.

The following financial statements are the basic financial statements of the Town and the notes thereto, lifted from the Annual Comprehensive Financial Report of the Town for the fiscal year ended June 30, 2024.

STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 40,267,203	\$ 58,703,805	\$ 98,971,008	\$ 29,722,431
Taxes receivable, net	179,793	17,030	196,823	-
Accounts receivable, net	882,057	1,704,736	2,586,793	6,979,054
Lease receivable	43,739	-	43,739	317,302
Due from other governments	12,448,979	8,616,611	21,065,590	-
Internal balances	20,327	(20,327)	-	-
Inventories	103,968	921,520	1,025,488	2,139,890
Prepaid items	-	5,647	5,647	119,865
Restricted cash and cash equivalents	7,328,981	112,725	7,441,706	10,475,028
Total current assets	61,275,047	70,061,747	131,336,794	49,753,570
Non-current assets:				
Restricted cash and cash equivalents	36,792,624	8,506,853	45,299,477	406,286
Internal balances	9,120,614	(9,120,614)	-	-
Lease receivable	42,766	-	42,766	527,178
Capital assets (Note E):				
Land and construction in progress	99,151,133	7,685,168	106,836,301	51,541,391
Other capital assets, net of accumulated depreciation	67,401,296	35,138,097	102,539,393	332,114,448
Right to use lease asset, net of amortization	-	80,446	80,446	954,557
Right to use subscription asset, net of amort	96,699	-	96,699	984,371
Total capital assets	166,649,128	42,903,711	209,552,839	385,594,767
Total non-current assets	212,605,132	42,289,950	254,895,082	386,528,231
Total assets	273,880,179	112,351,697	386,231,876	436,281,801
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB deferrals	18,292,136	6,765,700	25,057,836	6,895,100
Deferred charge on refunding	-	-	-	245,702
Total deferred outflows of resources	18,292,136	6,765,700	25,057,836	7,140,802
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	5,454,042	2,622,787	8,076,829	4,888,950
Advance from grantor	7,276,197	-	7,276,197	-
Other liabilities	-	17,030	17,030	-
Liabilities payable from restricted assets	7,328,981	112,725	7,441,706	2,184,594
Current portion of long-term liabilities	11,946,986	2,471,516	14,418,502	9,620,338
Total current liabilities	32,006,206	5,224,058	37,230,264	16,693,882
Non-current liabilities:				
Net other postemployment liability	21,695,359	8,784,212	30,479,571	12,262,674
Net pension liability (LGRS)	26,023,950	10,697,756	36,721,706	7,379,115
Total pension liability (LEOSSA)	7,288,242	-	7,288,242	-
Due in more than one year	103,527,483	10,020,303	113,547,786	94,580,319
Total non-current liabilities	158,535,034	29,502,271	188,037,305	114,222,108
Total liabilities	190,541,240	34,726,329	225,267,569	130,915,990
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	4,358	-	4,358	-
Leases	85,850	-	85,850	884,336
Pension and OPEB deferrals	1,429,645	483,546	1,913,191	4,862,136
Total deferred inflows of resources	1,519,853	483,546	2,003,399	5,746,472
NET POSITION				
Net investment in capital assets	89,875,363	39,786,397	129,661,760	282,821,833
Restricted for:				
Stabilization by State Statute	21,733,107	-	21,733,107	-
Capital projects	288,610	-	288,610	-
Inspections	129,583	-	129,583	-
Public housing	130,433	-	130,433	-
Water and sewer	-	-	-	406,286
Unrestricted	(12,045,874)	44,121,125	32,075,251	23,532,022
Total net position	\$ 100,111,222	\$ 83,907,522	\$ 184,018,744	\$ 306,760,141

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

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TOWN OF CHAPEL HILL, NORTH CAROLINA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental activities:			
General government	\$ 19,224,518	\$ 2,212,421	\$ -
Environment and development	36,105,253	3,886,226	4,102,990
Public safety	29,699,796	506,001	1,480,821
Leisure activities	16,897,412	1,541,457	814,874
Interest expense	2,595,056	-	-
Total governmental activities	104,522,035	8,146,105	6,398,685
Business-type activities:			
Transportation	35,227,924	940,111	27,587,234
Parking Facilities	2,107,049	2,688,809	-
Housing Operations	4,338,655	1,364,236	1,284,152
Stormwater Management	2,989,099	3,078,344	14,000
Total business-type activities	44,662,727	8,071,500	28,885,386
Total primary government	\$ 149,184,762	\$ 16,217,605	\$ 35,284,071
Component unit - Orange Water and Sewer Authority	\$ 44,713,363	\$ 48,228,558	\$ -

General revenues:

Property taxes

Sales tax

Occupancy tax

Other taxes

Grants and contributions not restricted to specific programs:

Intergovernmental

Investment earnings

Miscellaneous

Total general revenues not including transfers

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Capital Grants and Contributions	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (17,012,097)	\$ -	\$ (17,012,097)	\$ -
12,505,518	(15,610,519)	-	(15,610,519)	-
-	(27,712,974)	-	(27,712,974)	-
88,699	(14,452,382)	-	(14,452,382)	-
-	(2,595,056)	-	(2,595,056)	-
12,594,217	(77,383,028)	-	(77,383,028)	-
8,303,356	-	1,602,777	1,602,777	-
-	-	581,760	581,760	-
682,385	-	(1,007,882)	(1,007,882)	-
-	-	103,245	103,245	-
8,985,741	-	1,279,900	1,279,900	-
\$ 21,579,958	(77,383,028)	1,279,900	(76,103,128)	-
\$ 6,100,451	-	-	-	9,615,646
	49,735,817	5,983,593	55,719,410	-
	21,166,868	-	21,166,868	-
	1,763,710	-	1,763,710	-
	99,008	-	99,008	-
	6,095,059	-	6,095,059	-
	3,479,076	2,364,287	5,843,363	1,069,799
	2,293,412	36,245	2,329,657	3,962,801
	84,632,950	8,384,125	93,017,075	5,032,600
	1,172,988	(1,172,988)	-	-
	85,805,938	7,211,137	93,017,075	5,032,600
	8,422,910	8,491,037	16,913,947	14,648,246
	91,688,312	75,416,485	167,104,797	292,111,895
\$ 100,111,222	\$ 83,907,522	\$ 184,018,744	\$ 306,760,141	

MAJOR FUNDS

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

GOVERNMENTAL FUNDS

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

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

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

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

American Rescue Plan Fund – These funds are used to account for the funds that the Town received from the Coronavirus State & Local Fiscal Recovery Funds in response to the COVID-19 pandemic.

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

BUSINESS-TYPE FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

Other Postemployment Benefits (OPEB) Trust Fund – This fund is used to account for the Town's contributions for healthcare coverage provided to qualified retirees.

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2024

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	American Rescue Plan		
ASSETS						
Cash and cash equivalents	\$ 29,500,613	\$ 623,548	\$ 1,247,803	\$ -	\$ 7,454,309	\$ 38,826,273
Receivables:						
Due from other funds	1,798,782	-	-	-	-	1,798,782
Property taxes, net	153,857	24,163	-	-	1,773	179,793
Governmental units and agencies	8,089,659	41,656	1,985,244	-	2,332,420	12,448,979
Leases	86,505	-	-	-	-	86,505
Other	804,182	-	-	-	17,593	821,775
Inventories	970	-	-	-	16,538	17,508
Restricted cash and equivalents	915,947	-	35,139,356	7,480,543	585,759	44,121,605
Advances due in more than one year	-	9,120,614	-	-	-	9,120,614
TOTAL ASSETS	<u>\$ 41,350,515</u>	<u>\$ 9,809,981</u>	<u>\$ 38,372,403</u>	<u>\$ 7,480,543</u>	<u>\$ 10,408,392</u>	<u>\$ 107,421,834</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,778,455	\$ 1,778,455
Accounts payable	1,942,762	-	302	-	481,667	2,424,731
Accrued liabilities	2,453,801	-	-	-	62,595	2,516,396
Advance from grantor	-	-	-	7,276,197	-	7,276,197
Accounts payable from restricted assets	168,010	-	5,993,393	204,346	170,371	6,536,120
Other payables from restricted assets	747,937	-	-	-	44,924	792,861
Total liabilities	<u>5,312,510</u>	<u>-</u>	<u>5,993,695</u>	<u>7,480,543</u>	<u>2,538,012</u>	<u>21,324,760</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	153,857	24,163	-	-	1,773	179,793
Fees and charges receivable	271,112	-	-	-	-	271,112
Prepaid taxes	4,358	-	-	-	-	4,358
Leases	85,850	-	-	-	-	85,850
Total deferred inflows of resources	<u>515,177</u>	<u>24,163</u>	<u>-</u>	<u>-</u>	<u>1,773</u>	<u>541,113</u>

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2024

	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	American Rescue Plan	Other Governmental Funds	
FUND BALANCES						
Nonspendable						
Inventories	\$ 970	\$ -	\$ -	\$ -	\$ 16,538	\$ 17,508
Leases	655	-	-	-	-	655
Restricted						
Stabilization by State Statute	11,253,309	9,162,270	-	-	1,317,528	21,733,107
Inspections	129,583	-	-	-	-	129,583
Parks capital projects	105,754	-	3,656,720	-	-	3,762,474
Streets capital projects	483,622	-	8,103,660	-	-	8,587,282
Municipal buildings projects	-	-	8,000,570	-	-	8,000,570
Affordable housing projects	-	-	8,582,784	-	-	8,582,784
Public housing	-	-	-	-	130,433	130,433
Public safety	174,876	-	4,034,974	-	-	4,209,850
Transit capital purchases	-	-	-	-	1,050	1,050
Infrastructure capital projects	-	-	-	-	230,634	230,634
Library	-	-	-	-	159,591	159,591
Committed						
Debt service payments	-	623,548	-	-	-	623,548
Municipal buildings projects	-	-	-	-	105,960	105,960
Parks capital projects	-	-	-	-	117,957	117,957
Public housing	-	-	-	-	4,019,730	4,019,730
Climate action	-	-	-	-	204,673	204,673
Economic development	-	-	-	-	130,877	130,877
Assigned						
Subsequent year's expenditures	2,485,658	-	-	-	27,033	2,512,691
Workforce Development	4,079	-	-	-	-	4,079
Municipal buildings projects	-	-	-	-	304,191	304,191
Streets capital projects	-	-	-	-	1,000,000	1,000,000
Infrastructure capital projects	-	-	-	-	165,623	165,623
Public safety capital projects	-	-	-	-	200,000	200,000
Economic development	89,053	-	-	-	-	89,053
Unassigned	20,795,269	-	-	-	(263,211)	20,532,058
Total fund balances	<u>35,522,828</u>	<u>9,785,818</u>	<u>32,378,708</u>	<u>-</u>	<u>7,868,607</u>	<u>85,555,961</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 41,350,515</u>	<u>\$ 9,809,981</u>	<u>\$ 38,372,403</u>	<u>\$ 7,480,543</u>	<u>\$ 10,408,392</u>	<u>\$ 107,421,834</u>

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

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Fund balances - total governmental funds	\$ 85,555,961
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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

Governmental capital assets	298,568,278	
Less accumulated depreciation	<u>135,475,238</u>	163,093,040

Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Right to use lease assets at historical cost	23,794	
Less accumulated amortization	<u>23,794</u>	-

Right to use IT subscription assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Right to use IT subscription assets at historical cost	274,021	
Less accumulated amortization	<u>177,322</u>	96,699

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

Governmental bonds payable, limited obligation bonds, and installment purchases	(102,497,000)	
Net other postemployment liability	(21,305,220)	
Orange County loan payable	(123,146)	
Bond premium	(9,231,585)	
Accrued vacation payable	(3,515,448)	
Net pension liability (LGERS)	(25,663,948)	
Total pension liability (LEO)	(7,288,242)	
IT subscription liability	<u>(61,390)</u>	(169,685,979)

Deferred outflows of resources - pension

15,889,841

Deferred outflows of resources - OPEB

496,411

Deferred outflows of resources - LEOSSA

<u>1,638,110</u>	18,024,362
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Deferred inflows of resources - pension

(214,233)

Deferred inflows of resources - OPEB

(573,314)

Deferred inflows of resources - LEOSSA

<u>(621,531)</u>	(1,409,078)
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Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.

450,905

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

The assets and liabilities of the internal service funds that are reported within governmental activities

3,985,312

Net position of governmental activities

\$ 100,111,222

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

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GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024

	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	American Rescue Plan	Other Governmental Funds	
REVENUES						
Taxes	\$ 63,868,692	\$ 8,489,995	\$ -	\$ -	\$ 406,716	\$ 72,765,403
Licenses and permits	3,261,218	-	-	-	-	3,261,218
Fines and forfeitures	33,394	-	-	-	-	33,394
Intergovernmental revenues						
Federal government	4,433	-	4,006,510	1,192,570	7,739,856	12,943,369
State government	8,600,840	-	6,008	-	2,030,096	10,636,944
Other	782,005	-	-	-	725,643	1,507,648
Charges for services	4,649,876	-	-	-	-	4,649,876
Interest on investments	1,412,490	2,579,116	(675,730)	-	163,200	3,479,076
Franchise rental fees	-	-	-	-	67,439	67,439
Program income	-	-	-	-	134,178	134,178
Donations	172,709	-	750	-	179,522	352,981
Revenue in lieu	52,800	-	-	-	-	52,800
Mutual aid reimbursements	730,778	-	-	-	-	730,778
Other	337,708	-	748,909	-	1,214	1,087,831
Total revenues	83,906,943	11,069,111	4,086,447	1,192,570	11,447,864	111,702,935
EXPENDITURES						
General government	18,788,878	-	-	-	-	18,788,878
Environment and development	20,101,239	-	-	1,020,761	2,832,008	23,954,008
Public safety	27,887,326	-	-	-	428,749	28,316,075
Leisure activities	12,951,341	-	-	36,100	204,698	13,192,139
Capital projects	-	-	28,404,932	135,709	12,465,330	41,005,971
Debt service:						
Principal	212,448	8,323,000	-	-	-	8,535,448
Interest and fiscal charges	3,939	3,266,913	-	-	-	3,270,852
Bond issuance costs	-	15,000	-	-	-	15,000
Total expenditures	79,945,171	11,604,913	28,404,932	1,192,570	15,930,785	137,078,371
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,961,772	(535,802)	(24,318,485)	-	(4,482,921)	(25,375,436)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024

	Major Funds					Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	American Rescue Plan	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)						
Issuance of general obligation bonds	-	-	16,161,000	-	-	16,161,000
Insurance recovery	69,022	-	-	-	-	69,022
Subscription financing	97,649	-	-	-	-	97,649
Transfer from other funds	295,000	445,100	(250,000)	-	5,469,535	5,959,635
Transfer to other funds	(4,729,717)	-	-	-	(56,930)	(4,786,647)
Total other financing sources (uses)	(4,268,046)	445,100	15,911,000	-	5,412,605	17,500,659
NET CHANGE IN TOTAL FUND BALANCES	(306,274)	(90,702)	(8,407,485)	-	929,684	(7,874,777)
FUND BALANCES, BEGINNING	35,829,102	9,876,520	40,786,193	-	6,938,923	93,430,738
FUND BALANCES, ENDING	<u>\$ 35,522,828</u>	<u>\$ 9,785,818</u>	<u>\$ 32,378,708</u>	<u>\$ -</u>	<u>\$ 7,868,607</u>	<u>\$ 85,555,961</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

Exhibit 6

GOVERNMENTAL FUNDS

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

Year Ended June 30, 2024

Net change in fund balances - total governmental funds \$ (7,874,777)

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	29,808,730	
Current year's depreciation	7,774,570	22,034,160

Right to use leased asset capital outlay expenditures which were capitalized

	-	
Amortization expense for leased intangible assets	6,998	(6,998)

Right to use IT subscription asset capital outlay expenditures which were capitalized

	114,214	
Amortization expense for IT subscription intangible assets	204,647	(90,433)

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

8,535,448

The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net position.

(16,258,649)

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

Change in bond premium		690,796
Change in long-term compensated absences		(201,767)
Change in long-term separation allowance		(889,761)
Other postemployment benefits		195,112
Pension expense		9,003,665

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

(6,668,794)

Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities

(301,870)

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

(188,335)

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

445,113

Change in net position of governmental activities \$ 8,422,910

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

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	\$ 41,128,500	\$ 41,128,500	\$ 40,839,106	\$ (289,394)
Local option sales taxes	21,993,943	21,993,943	21,166,868	(827,075)
Other taxes	1,610,000	1,610,000	1,862,718	252,718
Licenses and permits	3,388,980	3,388,980	3,261,218	(127,762)
Fines and forfeitures	21,250	21,250	33,394	12,144
Intergovernmental revenues	8,607,348	8,674,770	9,387,278	712,508
Charges for services	4,648,176	4,648,176	4,649,876	1,700
Interest on investments	100,000	100,000	1,412,490	1,312,490
Other	841,444	900,463	1,293,995	393,532
TOTAL REVENUES	82,339,641	82,466,082	83,906,943	1,440,861
EXPENDITURES				
General government	19,075,190	20,271,620	19,005,265	1,266,355
Environment and development	20,387,054	21,913,791	20,101,239	1,812,552
Public safety	27,766,413	28,030,848	27,887,326	143,522
Leisure activities	13,112,254	13,272,691	12,951,341	321,350
Total expenditures	80,340,911	83,488,950	79,945,171	3,543,779
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	1,998,730	(1,022,868)	3,961,772	4,984,640
OTHER FINANCING SOURCES (USES)				
Insurance recovery	25,000	25,000	69,022	44,022
Subscription financing	-	-	97,649	
Transfer from other funds	45,000	295,000	295,000	-
Transfer to other funds	(4,538,089)	(4,739,658)	(4,729,717)	9,941
Appropriated fund balance	2,469,359	5,442,526	-	(5,442,526)
Total other financing sources (uses)	(1,998,730)	1,022,868	(4,268,046)	(5,388,563)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(306,274)	\$ (306,274)
FUND BALANCE, BEGINNING			35,829,102	
FUND BALANCE, ENDING			\$ 35,522,828	

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

TOWN OF CHAPEL HILL, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 39,633,503	\$ 8,168,321	\$ 4,317,133	\$ 6,584,848
Restricted cash and cash equivalents	-	-	82,550	30,175
Receivables:				
Accounts receivable, net	841,711	90,733	288,480	483,812
Governmental units and agencies	8,611,065	-	-	5,546
Property taxes, net	17,030	-	-	-
Prepaid items	-	-	-	5,647
Inventories	888,232	-	33,288	-
Total current assets	49,991,541	8,259,054	4,721,451	7,110,028
NONCURRENT ASSETS				
Restricted cash and cash equivalents	8,506,853	-	-	-
Capital assets:				
Land and other non-depreciable assets	2,151,677	3,449,845	1,701,659	381,987
Other capital assets, net of accumulated depreciation	26,037,490	76,515	4,935,942	4,088,150
Right to use lease asset, net of amortization	-	-	-	80,446
Total capital assets, net	28,189,167	3,526,360	6,637,601	4,550,583
Total noncurrent assets	36,696,020	3,526,360	6,637,601	4,550,583
TOTAL ASSETS	86,687,561	11,785,414	11,359,052	11,660,611
DEFERRED OUTFLOWS OF RESOURCES				
Pension & OPEB deferrals	5,637,587	254,520	454,832	418,761
Total deferred outflows of resource:	5,637,587	254,520	454,832	418,761
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,596,486	103,947	59,858	49,021
Accrued liabilities	672,196	30,711	45,080	65,488
Deposits payable from restricted assets	-	-	82,550	30,175
Due to other funds	-	-	20,327	-
Compensated absences	703,589	36,031	44,211	73,027
Unearned revenue	17,030	-	-	-
Lease liability	-	-	-	76,658
Bonds payable	-	-	-	135,000
Installment purchase agreements	1,403,000	-	-	-
Total current liabilities	4,392,301	170,689	252,026	429,369
NONCURRENT LIABILITIES				
Advances due in more than one year	-	9,120,614	-	-
Compensated absences	-	10,794	-	-
Net other postemployment liability	7,366,912	356,611	576,064	484,625
Net pension liability	9,021,382	352,305	735,499	588,570
Lease liability	-	-	-	15,823
Bonds payable	-	-	-	1,845,686
Installment purchase agreements	8,148,000	-	-	-
Total noncurrent liabilities	24,536,294	9,840,324	1,311,563	2,934,704
Total liabilities	28,928,595	10,011,013	1,563,589	3,364,073
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	404,443	19,061	31,991	28,051
Total deferred inflows of resources	404,443	19,061	31,991	28,051
NET POSITION				
Net investment in capital assets	27,145,020	3,526,360	6,637,601	2,477,416
Unrestricted	35,847,090	(1,516,500)	3,580,703	6,209,832
Total net position	\$ 62,992,110	\$ 2,009,860	\$ 10,218,304	\$ 8,687,248

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

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2024

	Enterprise Funds Total	Internal Service Funds Total
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 58,703,805	\$ 1,440,930
Restricted cash and cash equivalents	112,725	-
Receivables:		
Accounts receivable, net	1,704,736	60,282
Governmental units and agencies	8,616,611	-
Property taxes, net	17,030	-
Prepaid items	5,647	-
Inventories	921,520	86,460
Total current assets	70,082,074	1,587,672
NONCURRENT ASSETS		
Restricted cash and cash equivalents	8,506,853	-
Capital assets:		
Land and other non-depreciable assets	7,685,168	-
Other capital assets, net of accumulated depreciation	35,138,097	3,459,389
Right to use leased asset, net of amortization	80,446	-
Total capital assets, net	42,903,711	3,459,389
Total noncurrent assets	51,410,564	3,459,389
TOTAL ASSETS	121,492,638	5,047,061
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	6,765,700	267,774
Total deferred outflows of resource:	6,765,700	267,774
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	1,809,312	481,242
Accrued liabilities	813,475	31,673
Deposits payable from restricted assets	112,725	-
Due to other funds	20,327	-
Compensated absences	856,858	39,896
Unearned revenue	17,030	-
Lease liability	76,658	-
Bonds payable	135,000	-
Installment purchase agreements	1,403,000	-
Total current liabilities	5,244,385	552,811
NONCURRENT LIABILITIES		
Advances due in more than one year	9,120,614	-
Compensated absences	10,794	6,004
Net other postemployment liability	8,784,212	390,139
Net pension liability	10,697,756	360,002
Lease liability	15,823	-
Bonds payable	1,845,686	-
Installment purchase agreements	8,148,000	-
Total noncurrent liabilities	38,622,885	756,145
Total liabilities	43,867,270	1,308,956
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	483,546	20,567
Total deferred inflows of resources	483,546	20,567
NET POSITION		
Net investment in capital assets	39,786,397	3,459,389
Unrestricted	44,121,125	525,923
Total net position	\$ 83,907,522	\$ 3,985,312

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2024**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 497,772	\$ 2,688,809	\$ 1,364,236	\$ 3,078,344
OPERATING EXPENSES				
Personnel	16,788,935	680,232	1,191,368	1,696,641
Depreciation and amortization	4,286,221	85,829	664,724	393,402
Drainage maintenance	-	-	-	129,073
Fuel and tires	1,448,751	-	-	-
Indirect costs	1,548,342	60,884	-	156,578
Maintenance and repairs	-	3,186	107,382	-
Building maintenance	892,106	-	-	-
Vehicle maintenance	1,057,485	-	-	-
Utilities	-	27,518	281,015	-
Insurance	468,484	-	-	-
Contributions to agencies	-	-	1,500,000	-
Professional services	300	-	-	67,887
Contracted services	7,390,908	168,578	388,110	419,922
Tarheel Express	288,052	-	-	-
Uniforms and supplies	148,835	-	-	-
Credit card fees	-	139,233	-	-
Parking lots	-	764,861	-	-
Other	564,947	176,728	206,056	60,764
Total operating expenses	34,883,366	2,107,049	4,338,655	2,924,267
OPERATING INCOME (LOSS)	(34,385,594)	581,760	(2,974,419)	154,077
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	7,964,491	-	1,284,152	-
State Operating Assistance Grant	3,631,704	-	-	-
Operating assistance-UNC Chapel Hill	10,630,812	-	-	-
Operating assistance-Town of Carrboro	2,308,917	-	-	14,000
Operating assistance - TTA Vehicle Fees	3,051,310	-	-	-
Vehicle licenses	442,339	-	-	-
Ad valorem taxes	5,983,593	-	-	-
Interest on investments	1,898,108	169,796	28,160	268,223
Insurance recovery	8,641	-	-	-
Interest expense	(344,558)	-	-	(64,832)
Gain (Loss) on sale of capital assets	25,029	-	2,575	-
Total nonoperating revenues (expenses), net	35,600,386	169,796	1,314,887	217,391
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,214,792	751,556	(1,659,532)	371,468
CAPITAL CONTRIBUTIONS	8,303,356	-	682,385	-
TRANSFERS				
Transfers in	-	-	-	9,710
Transfers out	(1,182,698)	-	-	-
Total transfers	(1,182,698)	-	-	9,710
CHANGE IN NET POSITION	8,335,450	751,556	(977,147)	381,178
NET POSITION, BEGINNING	54,656,660	1,258,304	11,195,451	8,306,070
NET POSITION, ENDING	\$ 62,992,110	\$ 2,009,860	\$ 10,218,304	\$ 8,687,248

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

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2024

	Enterprise Funds Total	Internal Service Funds Total
OPERATING REVENUES		
Charges for services	\$ 7,629,161	\$ 3,103,032
OPERATING EXPENSES		
Personnel	20,357,176	721,690
Depreciation and amortization	5,430,176	806,134
Drainage maintenance	129,073	-
Fuel and tires	1,448,751	-
Indirect costs	1,765,804	-
Maintenance and repairs	110,568	-
Building maintenance	892,106	-
Vehicle maintenance	1,057,485	-
Utilities	308,533	-
Insurance	468,484	-
Advertising and marketing	1,500,000	-
Professional services	68,187	-
Contracted services	8,367,518	-
Tarheel Express	288,052	-
Uniforms and supplies	148,835	-
Credit card fees	139,233	-
Parking lots	764,861	-
Other	1,008,495	1,347,249
Total operating expenses	44,253,337	2,875,073
OPERATING INCOME (LOSS)	(36,624,176)	227,959
NONOPERATING REVENUES (EXPENSES)		
Federal Operating Assistance Grant	9,248,643	-
State Operating Assistance Grant	3,631,704	-
Operating assistance-UNC Chapel Hill	10,630,812	-
Operating assistance-Town of Carrboro	2,322,917	-
Operating assistance - TTA Vehicle Fees	3,051,310	-
Vehicle licenses	442,339	-
Ad valorem taxes	5,983,593	-
Interest on investments	2,364,287	69,463
Insurance recovery	8,641	3,860
Interest expense	(409,390)	-
Gain (Loss) on sale of capital assets	27,604	143,831
Total nonoperating revenues (expenses), net	37,302,460	217,154
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	678,284	445,113
CAPITAL CONTRIBUTIONS	8,985,741	-
TRANSFERS		
Transfers in	9,710	-
Transfers out	(1,182,698)	-
Total transfers	(1,172,988)	-
CHANGE IN NET POSITION	8,491,037	445,113
NET POSITION, BEGINNING	75,416,485	3,540,199
NET POSITION, ENDING	\$ 83,907,522	\$ 3,985,312

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 498,483	\$ 2,676,471	\$ 1,243,397	\$ 2,992,343
Payments to employees	(17,111,969)	(697,862)	(1,249,595)	(1,695,388)
Payments to suppliers	(17,842,750)	2,170,543	(3,031,753)	(888,310)
Net cash provided by (used in) operating activities	(34,456,236)	4,149,152	(3,037,951)	408,645
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	11,596,195	-	1,284,152	-
Transit partner assistance received	15,991,039	-	-	-
Operating assistance received	-	-	-	14,000
Taxes and licenses received	6,425,932	-	-	-
Transfers to other funds	(1,182,698)	-	-	-
Transfers from other funds	-	-	-	9,710
Net cash provided by (used in) noncapital financing activities	32,830,468	-	1,284,152	23,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on GO bonds, LOBs, and installment purchase agreements	(1,338,000)	-	-	(135,000)
Interest paid on GO bonds, LOBs, and installment purchase agreements	(344,558)	-	-	(61,866)
Principal paid on leases	-	-	-	(64,631)
Interest paid on leases	-	-	-	(2,966)
Proceeds from sale of capital assets	25,029	-	2,575	-
Proceeds from insurance recovery	8,641	-	-	-
Acquisition and construction of capital assets	(256,232)	-	-	-
Net cash provided by (used in) capital and related financing activities	(1,905,120)	-	2,575	(264,463)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,898,108	169,796	28,160	268,223
Net cash provided by investing activities	1,898,108	169,796	28,160	268,223

Continued

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

	Enterprise Funds Total	Internal Service Funds Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 7,410,694	\$ 3,062,890
Payments to employees	(20,754,814)	(748,363)
Payments to suppliers	(19,592,270)	(1,309,297)
Net cash provided by (used in) operating activities	(32,936,390)	1,005,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Grant funds received	12,880,347	-
Transit partner assistance received	15,991,039	-
Operating assistance received	14,000	-
Taxes and licenses received	6,425,932	-
Transfers to other funds	(1,182,698)	-
Transfers from other funds	9,710	-
Net cash provided by (used in) noncapital financing activities	34,138,330	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on GO bonds, LOBs, and installment purchase agreements	(1,473,000)	-
Interest paid on GO bonds, LOBs, and installment purchase agreements	(406,424)	-
Principal paid on leases	(64,631)	-
Interest paid on leases	(2,966)	-
Proceeds from sale of capital assets	27,604	143,831
Proceeds from insurance recovery	8,641	3,860
Acquisition and construction of capital assets	(256,232)	(1,771,866)
Net cash provided by (used in) capital and related financing activities	(2,167,008)	(1,624,175)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	2,364,287	69,463
Net cash provided by investing activities	2,364,287	69,463

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(1,632,780)	4,318,948	(1,723,064)	436,115
CASH AND INVESTMENTS, BEGINNING	49,773,136	3,849,373	6,122,747	6,178,908
CASH AND INVESTMENTS, ENDING	<u>\$ 48,140,356</u>	<u>\$ 8,168,321</u>	<u>\$ 4,399,683</u>	<u>\$ 6,615,023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (34,385,594)	\$ 581,760	\$ (2,974,419)	\$ 154,077
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,286,221	85,829	664,724	386,924
Pension expense	(547,608)	(32,653)	(38,137)	(20,026)
Changes in assets and liabilities:				
Receivables	(4,804,516)	(12,338)	(120,711)	(86,001)
Inventories	44,911	-	102	-
Due from other funds	-	3,471,169	(549,577)	-
Accounts payable	725,065	40,362	285	(41,961)
Accrued liabilities	260,976	14,009	10,360	26,417
Customer deposits	-	-	(128)	-
Unearned revenue	711	-	-	-
Accrued compensated absences	31,064	4,280	(25,175)	(700)
Accrued OPEB liability	<u>(67,466)</u>	<u>(3,266)</u>	<u>(5,275)</u>	<u>(4,438)</u>
Net cash provided by (used in) operating activities	<u>\$ (34,456,236)</u>	<u>\$ 4,149,152</u>	<u>\$ (3,037,951)</u>	<u>\$ 408,645</u>
SUMMARY OF NON-CASH & RELATED FINANCING ACTIVITIES:				
Capital asset contributions	<u>\$ 8,303,356</u>	<u>\$ -</u>	<u>\$ 682,385</u>	<u>\$ -</u>

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

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

	Enterprise Funds Total	Internal Service Funds Total
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,399,219	(549,482)
CASH AND INVESTMENTS, BEGINNING	65,924,164	1,990,412
CASH AND INVESTMENTS, ENDING	<u>\$ 67,323,383</u>	<u>\$ 1,440,930</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (36,624,176)	\$ 227,959
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,423,698	806,134
Pension expense	(638,424)	(39,294)
Changes in assets and liabilities:		
Receivables	(5,023,566)	(40,142)
Inventories	45,013	(5,763)
Due from other funds	2,921,592	-
Accounts payable	723,751	43,715
Accrued liabilities	311,762	13,318
Customer deposits	(128)	-
Unearned revenue	711	-
Accrued compensated absences	9,469	2,875
Accrued OPEB liability	<u>(80,445)</u>	<u>(3,572)</u>
Net cash provided by (used in) operating activities	<u>\$ (32,936,390)</u>	<u>\$ 1,005,230</u>
SUMMARY OF NON-CASH & RELATED FINANCING ACTIVITIES:		
Capital asset contributions	<u>\$ 8,985,741</u>	<u>\$ -</u>

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

STATEMENT OF FIDUCIARY NET POSITION

OTHER POSTEMPLOYMENT (OPEB) TRUST FUND
JUNE 30, 2024

	OPEB Trust Fund
ASSETS	
Restricted assets:	
Investments:	
Cash and cash equivalents	\$ -
Equity Index	8,639,705
Bond Index	-
Short Term Investment	-
TOTAL ASSETS	\$ 8,639,705
NET POSITION	
Net position restricted for postemployment benefits other than pensions	\$ 8,639,705

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

OTHER POSTEMPLOYMENT (OPEB) TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2024

	OPEB Trust Fund
Additions:	
Employer contributions	\$ 2,729,461
Investment income	430,354
Total additions	<u>3,159,815</u>
Deductions:	
Benefit payments	2,274,761
Administrative expense	<u>-</u>
Total deductions	<u>2,274,761</u>
Change in net position	<u>885,054</u>
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	7,754,651
End of year	<u><u>\$ 8,639,705</u></u>

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

**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

A. Summary of Significant Accounting Policies

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

I. Reporting Entity

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

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

2. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities report information on all the activities of the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include:

(1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including its fiduciary fund. Separate financial statements are provided for each fund category - governmental, proprietary, and fiduciary funds – are presented. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

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

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

American Rescue Plan Fund – This fund is used for the funds that the Town received from the Coronavirus State & Local Fiscal Recovery Funds in response to the COVID-19 pandemic.

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

Affordable Housing Development Reserve Fund – This fund is used to account for the development and preservation of affordable housing.

Climate Action Fund – This fund is used to account for projects tied to the Climate Action Plan.

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

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

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

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

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

The Town reports four proprietary funds:

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

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

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

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

The Town reports internal service funds as follows:

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

The Town reports trust funds as follows:

Trust Funds – Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of defined benefit plans, defined contribution plans or other postemployment benefit plans. The Other Postemployment Benefits (OPEB) Trust Fund accounts for the Town's contributions for healthcare coverage provided to qualified retirees.

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

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

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

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

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

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or

soon enough thereafter to pay the liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt, leases initiated during the year, and new IT subscription acquisition are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Orange County and Durham County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

4. Budgetary Data

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

Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in the other annual funds and multi-year funds. The Town Council must approve amendments at the functional level of the General Fund and at the fund level in all other governmental and

enterprise funds. The budgets in the supplemental section represent the budget as amended through June 30, 2024.

The Council's schedule for developing the 2023-24 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in February and a public hearing was held in May. Additional work sessions were held in March and May. The budget was adopted by the Council on June 7, 2023.

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

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

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

OWASA begins developing its budget in the second quarter of each year and the Board of Directors approves the budget in early June after public hearings are held.

5. Deposits and Investments

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

State law [§159-30(c)(8)] 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 NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value.

OWASA's investments with a maturity of more than one year at acquisition and non-money market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. 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 pools the cash resources of its funds to facilitate disbursement and investment and to maximize investment income. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as "cash and cash equivalents." Cash equivalents are short-term investments that can be easily converted to cash and have a low risk of value change.

7. Restricted Assets

Certain unspent proceeds of the general obligation bonds, limited obligation 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 position because they are maintained in separate bank accounts and their use is limited by applicable debt agreements. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

A portion of the cash in the Housing Operations Fund, Capital Projects Fund, and Transitional Housing Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the General Fund and Stormwater Fund represents surety deposits on contracts for projects being carried out in Town. Proceeds from the issuance of bonds and installment purchase agreements in the Capital Projects Ordinance Fund and Transit Fund are restricted for capital projects and buses, respectively. All funds held in the Capital Reserve Fund are restricted for capital projects. Restrictions are in place for grants in the American Rescue Plan Fund, Community Development Entitlement Fund, and Grants Fund. Donations in the Library Gift Fund are also classified as restricted.

Governmental Activities:

General Fund	
Surety deposits	\$ 915,947
Capital Projects Ordinance Fund	
Unspent bond proceeds	35,139,356
American Rescue Plan Fund	
Grant restrictions	7,480,543
Capital Projects Fund	
Tenant deposits	1,347
Capital Reserve Fund	
Capital project restrictions	230,634
Community Development Entitlement Fund	
Grant restrictions	74,294
Transitional Housing Fund	
Tenant deposits	43,577
Grants Fund	
Grant restrictions	35,296
Library Gift Fund	
Donation restrictions	200,611
Total government activities	<u>\$ 44,121,605</u>

Business-type Activities:

Transit Fund	
Unspent financing proceeds	\$ 8,506,853
Housing Fund	
Customer deposits	82,550
Stormwater Fund	
Surety deposits	30,175
Total business-type activities	<u>\$ 8,619,578</u>
Total Restricted Cash	<u>\$ 52,741,183</u>

8. Ad Valorem Taxes Receivable

In accordance with State statutes [§105-347 and §159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2023.

9. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

10. Lease Receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a single straight-line basis over the term of the lease.

11. Inventories

The Town's inventories are maintained for the supplies, fuel and parts of the General Fund, the Public Housing Operating Fund, the Land Trust Fund, the Vehicle Maintenance Fund and the Transit Fund. The General Fund, Public Housing Operating Fund, and the Transit 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.

12. Prepaid Items

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

13. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported under governmental or business-type activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years for both the Town and OWASA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value.

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.

The Town's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Town reports a lease (only applies when the Town is lessee) or agreements where the Town reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the starts of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term are reported as a prepayment (asset). Such prepayments are reduced by any incentives received from the same vendor before the start of the subscription term if a right to offset exists. The net amount of the prepayments and incentives are reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount is included in the initial measurement of the subscription asset. The right to use subscription assets is amortized on a straight-line basis over the subscription term.

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

Land improvements	10 – 100 years
Buildings	10 – 40 years
Infrastructure	25 years
Equipment	3 – 20 years
Buses	12 years

Fixtures and equipment	5 – 20 years
Water treatment and distribution	20 – 60 years
Sewer collection and treatment	40 – 60 years

14. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion: pension deferrals for the 2024 fiscal year and OPEB deferrals for the 2024 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The Town has six items that meet the criterion for this category: prepaid taxes, fees and charges receivable, property taxes receivable, deferrals of pension expense, deferrals of OPEB, and leases.

15. Long-term Obligations

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

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

16. Compensated Absences

The vacation policy of the Town and OWASA provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a last-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. Compensated absences are reported in the governmental funds only if they have matured.

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

17. Reimbursement for Pandemic Related Expenditures

In FY 2020-21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The Town was allocated \$10,668,497 of fiscal recovery funds to be paid in two equal installments. The first installment was received in May 2021. The second installment was received in June 2022. Town Council has allocated all of the available funding. \$650,000 has been allocated for ReVive, a downtown economic recovery program, and \$10 million for revenue replacement. At June 30, 2024, the Town had \$7,276,197 remaining to be spent. The Town is working on obligating the remaining dollars to meet the December 31, 2024 deadline and has plans in place to ensure that all funds are spent by December 31, 2026.

18. Net Position and Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

Lease Receivable, net – portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing lease receivable by the related deferred inflow of resources.

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Inspections – portion of fund balance that is restricted by revenue source for support of inspections services.

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

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

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

Restricted for Transit – portion of fund balance that is restricted by revenue source for Transit related capital purchases.

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

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

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

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

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

Committed for climate action – portion of fund balance directed by the Town Council to projects that support the Town's Climate Action Plan.

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

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

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

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

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

Assigned for municipal buildings, streets, infrastructure, and public safety capital projects – portion of fund balance that has been budgeted for capital projects.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. The General Fund is the only fund that can report a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 22% of budgeted expenditures to provide for cash flow considerations and emergencies. Fund balance over 22% may be appropriated for one-time expenditures, but the general guideline directs that fund balance not be used to fund ongoing operations.

19. Pension and OPEB Plan

The Town participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State: the Local Governmental Employees' Retirement System (LGERS). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

B. Deposits

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

SuperNOW accounts, money market accounts and certificates of deposit. All of the Town's and OWASA's deposits are either insured or collateralized by using one of two methods.

Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or OWASA's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and OWASA, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, OWASA, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town or OWASA under the Pooling Method, the potential exists for under-collateralization. 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 depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town and OWASA comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2024, the Town's deposits had a carrying amount of \$73,528,634 and a bank balance of \$74,443,001. Of the bank balance, \$15,004,000 was covered by federal depository insurance, \$4,149,583 was covered by collateral held under the Dedicated Method, and \$54,375,051 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$4,762 at year end.

At June 30, 2024, OWASA's deposits had a carrying amount of \$16,969,511 and a bank balance of \$17,028,930. Of the bank balance, \$250,000 was covered by federal depository insurance and \$16,778,930 in deposits was covered by collateral held under the Pooling Method. OWASA had cash on hand of \$1,800 at year end.

C. Investments

At June 30, 2024, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 06/30/2024	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level I	\$ 78,178,795	N/A	AAAm
NC Capital Management Trust - Government Portfolio (OPEB Trust)	Fair Value Level I	8,639,705	N/A	AAAm
Total:		\$ 86,818,500		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level I debt securities are valued using directly observable quoted prices (unadjusted) in active markets for identical assets.

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 Capital Management Trust, a SEC registered government money market mutual fund.

At June 30, 2024, the Town of Chapel Hill had \$78,178,795 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's (S&P) and AAAMf by Moody's Investor Service.

At June 30, 2024, the Town's Healthcare Benefits (HCB) Plan fund had \$8,639,705 invested in an Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the Town. At year-end the OPEB Trust was invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investors Service.

At June 30, 2024, OWASA had \$23,632,434 invested with the North Carolina Capital Management Trust's Government Portfolio.

Interest Rate Risk. The Town and OWASA do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity of the Town's position in the North Carolina Capital Management Trust's Government Portfolio is based on the average maturity of the pool's investments regardless of the ability of the pool's participants to withdraw funds on demand.

Credit risk. The Town and OWASA do not have a formal policy regarding credit risk, but there are internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town and OWASA's investments in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAMf by Moody's Investor Service as of June 30, 2024.

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

D. Receivables and Allowances for Uncollectible Amounts

Due from other governments to the Town at June 30, 2024 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 651,906	\$ -
Due from Federal Government	2,395,213	8,047,950
Due from State	8,985,650	131,563
Due from local governments	416,210	437,098
	<u>\$ 12,448,979</u>	<u>\$ 8,616,611</u>

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

Property taxes receivable	\$ 335,210	\$ -
Accounts receivable	7,002	28,221
	<u>\$ 342,212</u>	<u>\$ 28,221</u>

E. Leases Receivable

On 07/01/2021, Town of Chapel Hill, NC entered into a 60-month lease as Lessor for the use of 100-A Cleland Drive. An initial lease receivable was recorded in the amount of \$169,204. As of 06/30/2024, the value of the lease receivable is \$68,622. The lessee is required to make monthly fixed payments of \$2,889. The lease has an interest rate of 0.98%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2024 was \$67,682, and the Town recognized lease revenue of \$33,841 during the fiscal year. The lessee has 2 extension options, each for 60 months.

On 07/01/2021, Town of Chapel Hill, NC entered into a 59-month lease as Lessor for the use of Network Hut Site. An initial lease receivable was recorded in the amount of \$41,021. As of 06/30/2024, the value of the lease receivable is \$16,493. The lessee is required to make annual fixed payments of \$8,368. The lease has an interest rate of 0.98%. The Land estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2024 was \$16,174, and the Town recognized lease revenue of \$8,282 during the fiscal year. The lessee has 1 extension option for 24 months. The lessee had a termination period of 1 month as of the lease commencement.

On 07/01/2021, Town of Chapel Hill, NC entered into a 37-month lease as Lessor for the use of 179 E Franklin Street. An initial lease receivable was recorded in the amount of \$50,943. As of 06/30/2024, the value of the lease receivable is \$1,390. The lessee is required to make monthly fixed payments of \$1,390. The lease has an interest rate of 0.648%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2024 was \$1,994, and Town of Chapel Hill recognized lease revenue of \$16,316 during the fiscal year. The lessee has 1 extension option for 60 months. The lessee had a termination period of 1 month as of the lease commencement.

Year Ending June 30	Governmental Activities		
	Principal Payments	Interest Payments	Total
2025	43,739	682	44,421
2026	42,766	264	43,030
Total	<u>\$ 86,505</u>	<u>\$ 946</u>	<u>\$ 87,451</u>

OWASA's leases receivable as of June 30, 2024 consists of the following:

In October 2021, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$266,371. Under the lease, the cell phone carrier pays the Authority \$55,000 annually through 10/19/2026 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.62%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$107,384 and the value of the deferred inflow of resources was \$106,548. During fiscal year 2024, the Authority recognized \$53,274 of lease revenue and \$2,589 of interest revenue under the lease.

In December 2022, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$257,019. Under the lease, the cell phone carrier pays the Authority \$55,000 annually through 12/14/2027 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.5%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$154,090 and the value of the deferred inflow of resources was \$154,211. During fiscal year 2024, the Authority recognized \$51,404 of lease revenue under the lease and \$7,071 of interest revenue under the lease.

In February 2022, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$262,809. Under the lease, the cell phone carrier pays the Authority \$55,000 annually through 2/14/2027 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.32%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$106,287 and the value of the deferred inflow of resources was \$105,123. During fiscal year 2024, the Authority recognized \$52,562 of lease revenue and \$3,657 of interest revenue under the lease.

In April 2024, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$280,627. Under the lease, the cell phone carrier pays the Authority \$60,500 annually through 3/31/2028 in exchange for a license to a portion of the property located at 609 Piney Mountain Road, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.9%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$220,127 and the value of the deferred inflow of

resources was \$224,502. During fiscal year 2024, the Authority recognized \$56,124 of lease revenue and \$0 of interest revenue under the lease.

In July 2023, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$255,116. Under the lease, the cell phone carrier pays the Authority \$55,000 annually through 7/31/2027 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.9%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$200,116 and the value of the deferred inflow of resources was \$204,093. During fiscal year 2024, the Authority recognized \$51,023 of lease revenue under the lease and \$0 of interest revenue under the lease.

In August 2020, the Authority entered into a 60-month lease as lessor with a cell phone carrier. An initial lease receivable was recorded in the amount of \$224,646. Under the lease the cell phone carrier pays the Authority \$55,000 annually. Commencing August 1, 2020, and each year thereafter, the license fee will increase by 2.0% over the license paid in the previous year. This will continue through 8/1/2025 in exchange for a license to a portion of the property located at 251 Manning Drive, Chapel Hill, NC for placement of cellular equipment. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 1.14%, which is the calculated Incremental Borrowing Rate. As of June 30, 2024, the value of the lease receivable is \$56,476 and the value of the deferred inflow of resources was \$89,859. During fiscal year 2024, the Authority recognized \$44,929 of lease revenue and \$1,280 of interest revenue under the lease.

Year Ending June 30	Lease Receivables		
	Principal Payments	Interest Payments	Total
2025	\$ 317,302	\$ 26,632	\$ 343,934
2026	264,298	18,305	282,603
2027	158,029	10,368	168,397
2028	104,851	4,335	109,186
Total	<u>\$ 844,480</u>	<u>\$ 59,640</u>	<u>\$ 904,120</u>

F. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2024 follows:

	July 1, 2023	Increases	Decreases	June 30, 2024
Governmental activities:				
Non-Depreciable Assets:				
Land	\$ 39,426,813	\$ 398,161	\$ -	\$ 39,824,974
Easements	678,950	17,484	-	696,434
Construction in progress	48,521,426	28,629,838	18,521,539	58,629,725
Total non-depreciable assets	88,627,189	29,045,483	18,521,539	99,151,133
Depreciable Assets:				
Land improvements	40,861,609	14,937,402	-	55,799,011
Infrastructure	36,920,716	1,083,086	-	38,003,802
Buildings and building improvements	88,130,947	1,990,124	-	90,121,071
Equipment	10,016,668	526,419	181,874	10,361,213
Vehicles	20,920,880	2,519,621	1,443,669	21,996,832
Right-to-use lease land	23,794	-	23,794	-
Subscription assets	351,357	114,214	191,550	274,021
Total depreciable assets	197,225,971	21,170,866	1,840,887	216,555,950
Less Accumulated Depreciation and Amortization:				
Land improvements	18,844,170	2,227,772	-	21,071,942
Infrastructure	36,651,523	1,352,279	-	38,003,802
Buildings and building improvements	60,941,340	3,702,644	-	64,643,984
Equipment	9,290,284	217,964	181,874	9,326,374
Vehicles	16,198,155	1,080,045	1,443,669	15,834,531
Right-to-use lease land	16,796	6,998	23,794	-
Subscription assets	164,225	204,647	191,550	177,322
Total accumulated depreciation and amortization	142,106,493	8,792,349	1,840,887	149,057,955
Total depreciable assets, net	55,119,478	12,378,517	-	67,497,995
Governmental activities capital assets, net	\$ 143,746,667	\$ 41,424,000	\$ 18,521,539	\$ 166,649,128

	July 1, 2023	Increases	Decreases	June 30, 2024
Business-type activities:				
Transit Fund:				
Non-Depreciable Assets:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	-	52,140	-	52,140
Total non-depreciable assets	2,099,537	52,140	-	2,151,677
Depreciable Assets:				
Land improvements	6,377,748	-	-	6,377,748
Buildings and building improvements	18,511,337	-	-	18,511,337
Equipment	2,750,702	538,734	-	3,289,436
Vehicles	51,870,226	7,968,714	2,296,126	57,542,814
Total depreciable assets	79,510,013	8,507,448	2,296,126	85,721,335
Less Accumulated Depreciation:				
Land improvements	5,405,104	132,800	-	5,537,904
Buildings and building improvements	13,248,467	858,531	-	14,106,998
Equipment	2,274,296	131,904	-	2,406,200
Vehicles	36,765,883	3,162,986	2,296,126	37,632,743
Total accumulated depreciation	57,693,750	4,286,221	2,296,126	59,683,845
Total depreciable assets, net	21,816,263	4,221,227	-	26,037,490
Transit fund capital assets, net	\$ 23,915,800	\$ 4,273,367	\$ -	\$ 28,189,167
Housing Operating Fund:				
Non-Depreciable Assets:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Construction in progress	299,014	-	299,014	-
Total non-depreciable assets	2,000,673	-	299,014	1,701,659
Depreciable Assets:				
Land improvements	395,171	7,360	-	402,531
Buildings and building improvements	23,830,993	840,691	-	24,671,684
Equipment	438,283	-	-	438,283
Vehicles	315,401	133,348	17,863	430,886
Total depreciable assets	24,979,848	981,399	17,863	25,943,384
Less Accumulated Depreciation:				
Land improvements	333,453	6,361	-	339,814
Buildings and building improvements	19,327,073	633,516	-	19,960,589
Equipment	438,283	-	-	438,283
Vehicles	261,772	24,847	17,863	268,756
Total accumulated depreciation	20,360,581	664,724	17,863	21,007,442
Total depreciable assets, net	4,619,267	316,675	-	4,935,942
Housing operating fund capital assets, net	\$ 6,619,940	\$ 316,675	\$ 299,014	\$ 6,637,601

	July 1, 2023	Increases	Decreases	June 30, 2024
Parking Facilities Fund:				
Non-Depreciable Assets:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
Construction in progress	288,730	-	-	288,730
Total non-depreciable assets	3,449,845	-	-	3,449,845
Depreciable Assets:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,296,236	-	-	7,296,236
Equipment	841,207	-	-	841,207
Right-to-use lease land improvements	94,392	-	94,392	-
Total depreciable assets	8,725,466	-	94,392	8,631,074
Less Accumulated Depreciation and Amortization:				
Land improvements	442,343	5,571	-	447,914
Buildings and building improvements	7,289,455	589	-	7,290,044
Equipment	757,452	59,149	-	816,601
Right-to-use lease land improvements	73,872	20,520	94,392	-
Total accumulated depreciation and amortization	8,563,122	85,829	94,392	8,554,559
Total depreciable assets, net	162,344	(85,829)	-	76,515
Parking facilities fund capital assets, net	\$ 3,612,189	\$ (85,829)	\$ -	\$ 3,526,360

	July 1, 2023	Increases	Decreases	June 30, 2024
Stormwater Management Fund:				
Non-Depreciable Assets:				
Land	\$ 378,987	\$ -	\$ -	\$ 378,987
Easements	3,000	-	-	3,000
Construction in progress	-	-	-	-
Total non-depreciable assets	381,987	-	-	381,987
Depreciable Assets:				
Land improvements	5,405,743	-	-	5,405,743
Equipment	213,097	-	-	213,097
Vehicles	267,516	-	-	267,516
Right-to-use lease buildings	340,658	-	-	340,658
Total depreciable assets	6,227,014	-	-	6,227,014
Less Accumulated Depreciation and Amortization:				
Land improvements	1,175,042	268,418	-	1,443,460
Equipment	134,799	17,791	-	152,590
Vehicles	163,917	38,239	-	202,156
Right-to-use lease buildings	191,258	68,954	-	260,212
Total accumulated depreciation and amortization	1,665,016	393,402	-	2,058,418
Total depreciable assets, net	4,561,998	(393,402)	-	4,168,596
Stormwater management fund capital assets, net	\$ 4,943,985	\$ (393,402)	\$ -	\$ 4,550,583
Business-type activities capital assets, net	\$ 39,091,914	\$ 4,110,811	\$ 299,014	\$ 42,903,711

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

Governmental activities:

General government	\$ 307,436
Environment and development	4,533,513
Public safety	445,790
Leisure activities	2,699,476
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>806,134</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 8,792,349</u></u>

Business-type activities:

Transit	\$ 4,286,221
Parking facilities	85,829
Housing Operating	664,724
Stormwater Management	<u>393,402</u>
Total depreciation and amortization expense - business-type activities	<u><u>\$ 5,430,176</u></u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2024, follows:

	July 1, 2023	Increases	Decreases	Transfers	June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 17,844,022	\$ -	\$ -		\$ 17,844,022
Construction in progress	30,601,968	19,704,741	(116,097)	(16,493,243)	33,697,369
Total capital assets, not being depreciated	48,445,990	19,704,741	(116,097)	(16,493,243)	51,541,391
Capital assets, being depreciated:					
Water treatment and distribution	214,336,236	3,851,321	-	9,339,325	227,526,882
Sewer collection and treatment	271,686,932	2,432,324	-	6,062,209	280,181,465
Fixtures and equipment	60,566,463	820,419	(580,236)	1,091,709	61,898,355
Right-to-use lease equipment	234,009	148,767	(16,124)	-	366,652
Right-to-use lease solar equipment	846,702	-	-	-	846,702
Subscription assets	186,337	1,227,496	(28,740)	-	1,385,093
Total capital assets, being depreciated	547,856,679	8,480,327	(625,100)	16,493,243	572,205,149
Less accumulated depreciation for:					
Water treatment and distribution	87,084,961	3,972,110	-	-	91,057,071
Sewer collection and treatment	96,342,116	5,918,418	-	-	102,260,534
Fixtures and equipment	42,247,574	2,481,199	(554,124)	-	44,174,649
Right-to-use lease equipment	93,746	94,799	(16,124)	-	172,421
Right-to-use lease solar equipment	52,508	33,868	-	-	86,376
Subscription assets	67,836	338,634	(5,748)	-	400,722
Total accumulated depreciation	225,888,741	12,839,028	(575,996)	-	238,151,773
Total capital assets, being depreciated, net	321,967,938	(4,358,701)	(49,104)	16,493,243	334,053,376
Total capital assets, net	\$ 370,413,928	\$ 15,346,040	\$ (165,201)	\$ -	\$ 385,594,767

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

Capital assets	\$ 298,568,278
Depreciation	(135,475,238)
	<u>163,093,040</u>
Right to use leased assets	23,794
Amortization	(23,794)
	<u>-</u>
Right to use IT subscription assets	274,021
Amortization	(177,322)
	<u>96,699</u>
Internal service fund capital assets, net of depreciation	<u>3,459,389</u>
Total Capital Assets, net	<u><u>\$ 166,649,128</u></u>
Debt:	
Short-term portion of debt	\$ 11,946,986
Long-term portion of debt	158,535,034
Total Debt	<u>170,482,020</u>
Less Total pension liability (LEOSAA) (unrelated to capital)	(7,288,242)
Less Net Pension Liability (LGERS) (unrelated to capital)	(26,023,950)
Less Compensated absences (unrelated to capital)	(3,561,348)
Less Other Postemployment Benefits (unrelated to capital)	(21,695,359)
Unspent proceeds, governmental funds	(35,139,356)
Capital Related Debt	<u>76,773,765</u>
Net investment in capital assets	<u><u>\$ 89,875,363</u></u>

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

Capital assets, net	\$ 42,823,265
Right to use leased assets, net	80,446
Total capital assets, net	<u><u>\$ 42,903,711</u></u>
Debt:	
Short-term portion of debt	\$ 2,471,516
Long-term portion of debt	29,502,271
Total Debt	<u>31,973,787</u>
Less Net Pension Liability (LGERS) (unrelated to capital)	(10,697,756)
Less Compensated Absences (unrelated to capital)	(867,652)
Less Other Postemployment Benefits (unrelated to capital)	(8,784,212)
Unspent proceeds, business-type funds	(8,506,853)
Capital Related Debt	<u>3,117,314</u>
Net investment in capital assets	<u><u>\$ 39,786,397</u></u>

G. Payables

Payables at the government-wide level at June 30, 2024, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 2,110,772	\$ 3,201,738	\$ 5,312,510
Other Governmental	7,331,321	139,192	7,470,513
	<u>\$ 9,442,093</u>	<u>\$ 3,340,930</u>	<u>\$ 12,783,023</u>
Business-Type Activities:			
Transit	\$ 1,596,486	\$ 672,196	\$ 2,268,682
Parking Facilities	103,947	30,711	134,658
Housing Operations	59,858	127,630	187,488
Stormwater Management	49,021	95,663	144,684
	<u>\$ 1,809,312</u>	<u>\$ 926,200</u>	<u>\$ 2,735,512</u>

H. Long-Term Debt**a. Leases**

The Town has entered into agreements to lease certain land, land improvements and buildings. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On 07/01/2021, Town of Chapel Hill, NC (Enterprise) entered into a 62-month lease as Lessee for the use of 208 N. Columbia Street. An initial lease liability was recorded in the amount of \$132,496. As of 06/30/2024, the value of the lease liability is \$92,481. The Town (Enterprise) is required to make monthly fixed payments of \$5,646. The lease has an interest rate of 2.19%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2024 is \$340,658 with accumulated amortization of \$260,212.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ending	Business-Type Activities		
	Principal	Interest	
June 30	Payments	Payments	Total
2025	76,658	1,307	77,965
2026	15,823	43	15,866
Total	<u>\$ 92,481</u>	<u>\$ 1,350</u>	<u>\$ 93,831</u>

OWASA's leases liabilities as of June 30, 2024 consists of the following:

In April 2024, the Authority entered into an agreement to lease printing equipment and requires 60 monthly payments of \$561. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.9%, which is the stated rate in the lease agreement, and has an ending balance of \$29,141 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$29,099 at June 30, 2024.

In December 2021, the Authority entered into an agreement to lease postage equipment and requires 20 monthly payments of \$916. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.95%, which is the stated rate in the lease agreement, and has an ending balance of \$8,918 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$8,748 at June 30, 2024.

In July 2021, the Authority entered into an agreement to lease printing equipment and requires 60 monthly payments of \$3,213. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 1.3%, which is the stated rate in the lease agreement, and has an ending balance of \$76,099 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$74,740 at June 30, 2024.

In July 2021, the Authority entered into an agreement to solar energy equipment and requires 26 annual payments of \$7,280. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.2%, which is the stated rate in the lease agreement, and has an ending balance of \$113,672 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$112,543 at June 30, 2024.

In July 2021, the Authority entered into an agreement to solar energy equipment and requires 25 annual payments of \$13,000. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.4%, which is the stated rate in the lease agreement, and has an ending balance of \$219,297 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$212,229 at June 30, 2024.

In July 2021, the Authority entered into an agreement to solar energy equipment and requires 25 annual payments of \$5,260. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 2.7%, which is the stated rate in the lease agreement, and has an ending balance of \$86,088 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$85,297 at June 30, 2024.

In December 2022, the Authority entered into an agreement to lease solar energy equipment which requires 25 annual payments of beginning at \$18,000 and escalating every five years to eventually reach \$25,500 in years 21 through 25. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.5%, which is the stated rate in the lease agreement, and has an ending balance of \$333,385 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$350,256 on June 30, 2024.

In November 2022, the Authority entered into an agreement to lease mailing equipment which requires 20 quarterly payments of \$734. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.5%, which is the stated rate in the lease agreement, and has an ending balance of \$8,987 at year end. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$8,800 on June 30, 2024.

In March 2024, the Authority entered into an agreement to lease mailing equipment which requires 60 monthly payments of \$582. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.9%, which is the stated rate in the lease agreement, and has an ending balance of \$29,760 at year end. As a result of the lease, the Authority has recorded a right-to-use asset with a net book value of \$29,670 on June 30, 2024.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ending June 30	OWASA		
	Principal Payments	Interest Payments	Total
2025	\$ 118,473	\$ 27,941	\$ 146,414
2026	77,841	24,574	102,415
2027	38,983	23,042	62,025
2028	37,684	21,807	59,491
2029	34,160	20,585	54,745
2030-2034	138,570	90,630	229,200
2035-2039	171,463	67,737	239,200
2040-2044	210,009	39,191	249,200
2045-2047	120,512	7,067	127,579
Total	<u>\$ 947,695</u>	<u>\$ 322,574</u>	<u>\$ 1,270,269</u>

b. IT Subscriptions

The Town has entered into subscription agreements for the use of technology applications. The subscription agreements qualify as other than short-term subscriptions under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On 08/11/2022, Town of Chapel Hill, NC entered into a 24-month subscription for the use of Cornerstone LMS. An initial subscription liability was recorded in the amount of \$49,704. As of 06/30/2024, the value of the subscription liability is \$0. The Town is required to make annual fixed payments of \$24,962. The subscription has an interest rate of 1.8937%. The value of the right to use asset as of 06/30/2024 is \$49,704 with accumulated amortization of \$46,943.

On 07/01/2022, Town of Chapel Hill, NC entered into a 28-month subscription for the use of SGEA GIS Software. An initial subscription liability was recorded in the amount of \$110,103. As of 06/30/2024, the value of the subscription liability is \$0. The Town is required to make fixed annual payments of \$60,500. The subscription has an interest rate of 1.8937%. The value of the right to use asset as of 06/30/2024 is \$110,103 with accumulated depreciation of \$92,718.

On 09/01/2023, Town of Chapel Hill, NC entered into a 36-month subscription for the use of Brightly Software. An initial subscription liability was recorded in the amount of \$51,834. As of 06/30/2024, the value of the subscription liability is \$35,075. The Town is required to make annual fixed payments of

\$16,759. The subscription has an interest rate of 2.848%. The value of the right to use asset as of 06/30/2024 is \$66,059 with accumulated amortization of \$18,350.

On 10/01/2023, Town of Chapel Hill, NC entered into a 36-month subscription for the use of Korterra (NC811 Ticket Management) software. An initial subscription liability was recorded in the amount of \$16,726. As of 06/30/2024, the value of the subscription liability is \$11,226. The Town is required to make annual fixed payments of \$5,500. The subscription has an interest rate of 3.591%. The value of the right to use asset as of 06/30/2024 is \$19,066 with accumulated amortization of \$4,766.

On 07/01/2023, Town of Chapel Hill, NC entered into a 24-month subscription for the use of West Publishing software. An initial subscription liability was recorded in the amount of \$29,089. As of 06/30/2024, the value of the subscription liability is \$15,089. The Town is required to make fixed monthly payments of \$1,217. The subscription has an interest rate of 2.978%. The value of the right to use asset as of 06/30/2024 is \$29,089 with accumulated amortization of \$14,545.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2024, were as follows:

Year Ending June 30	Governmental Activities		
	Principal Payments	Interest Payments	Total
2024	\$ 37,227	\$ 1,647	\$ 38,874
2025	24,163	732	24,895
Total	<u>\$ 61,390</u>	<u>\$ 2,379</u>	<u>\$ 63,769</u>

OWASA's subscription agreements as of June 30, 2024 consists of the following:

In July 2022, the Authority entered into an agreement to use software which requires three annual payments of \$8,536, \$8,523, and \$8,444. There are no variable payment components of the agreement. The subscription liability is measure as a discount rate of 3.5%, which is the stated rate in the lease agreement, and has an ending balance of \$8,739 at year end. As a result of the agreement, the Authority has recorded a right to use asset with a net book value of \$8,503 on June 30, 2024.

In July 2022, the Authority entered into an agreement to use software which requires three annual payments of \$15,770, \$15,960, and \$15,960. There are no variable payment components of the agreement. The subscription liability is measured at a discount rate of 3.5%, which is the stated rate in the lease agreement, and has an ending balance of \$15,420 at year end. As a result of the agreement, the Authority has recorded a right to use asset with a net book value of \$15,363 on June 30, 2024.

In April 2023, the Authority entered into an agreement to use software which requires two annual payments of \$8,316. There are no variable payment components of the agreement. The subscription liability is measured at a discount rate of 3.5%, which is the calculated Incremental Borrowing Rate, and has an ending balance of \$8,035 at year end. As a result of the agreement, the Authority has recorded a right to use asset with a net book value of \$7,899 on June 30, 2024.

In July 2022, the Authority entered into an agreement to use software which requires 48 annual payments of \$3,180, escalating at two percent per year. There are no variable components of the agreement. The subscription liability is measured at a discount rate of 3.5%, which is the calculated Incremental Borrowing Rate, and has an ending balance of \$10,063 at year end. As a result of the agreement, the Authority has recorded a right to use asset with a net book value of \$9,555 on June 30, 2024.

In April 2023, the Authority entered into an agreement to use software which requires three annual payments of \$4,267. There are no variable payment components of the agreement. The subscription liability is measured at a discount rate of 3.9%, which is the calculated Incremental Borrowing Rate, and has an ending balance of \$8,059 at year end. As a result of the agreement, the Authority has recorded a right-to-use asset with a net book value of \$8,217 on June 30, 2024.

In December 2022, the Authority entered into an agreement to use software which requires three annual payments of \$18,295. There are no variable components of the agreement. The subscription liability is measured at a discount rate of 3.9%, which is the calculated Incremental Borrowing Rate, and has an ending balance of \$17,608 at year end. As a result of the agreement, the Authority has recorded a right-to-use asset with a net book value of \$17,617 on June 30, 2024.

In November 2023, the Authority entered into an agreement to use software which requires eleven annual payments of \$66,000, escalating by 5% annually. There are no variable payment components of the agreement. The subscription liability is measured at a discount rate of 3.9%, which is the calculated Incremental Borrowing Rate, and has an ending balance of \$657,665 at year end. As a result of the agreement, the Authority has recorded a right-to-use asset with a net book value of \$917,217 on June 30, 2024.

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2024, were as follows:

Year Ending June 30	OWASA		
	Principal Payments	Interest Payments	Total
2025	\$ 110,933	\$ 27,835	\$ 138,768
2026	56,699	23,971	80,670
2027	58,463	21,760	80,223
2028	64,754	19,480	84,234
2029	71,491	16,955	88,446
2030-2034	363,249	37,027	400,276
Total	<u>\$ 725,589</u>	<u>\$ 147,028</u>	<u>\$ 872,617</u>

c. General Obligation Indebtedness

The Town's general obligation bonds serviced by the governmental funds were issued for the construction and renovation to Town facilities and for the acquisition of public safety equipment. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2024 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Debt Service Fund:

\$4,655,000 Refunding 1996, 2003 and 2004 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, open space and greenways and public buildings and facilities - 2012 refunding serial bonds payable in annual installments of \$115,000 to \$605,000 through 2025; interest at 2% to 4%	\$ 185,000
\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	680,000
\$3,050,000 - Refunding 2006 bond issue for sidewalk construction and improvement, pedestrian amenities and streetscaping, library facilities, open space acquisition and trail improvements - 2013 refunding serial bonds payable in annual installments of \$34,000 to \$296,000 through 2027; interest at 1.77%	696,000
\$9,000,000 Construction and renovation to Town facilities, including Parks greenways & trails (\$5,000,000), Streets and sidewalks (\$3,000,000) and Parks and recreation facilities (\$1,000,000) - serial bonds payable in annual installments of \$450,000 through 2037; interest at 2% to 5%	5,850,000
\$1,460,000 Purchase of public safety equipment - 2017 serial bonds payable payable in annual installments of \$145,000 to \$150,000 through 2027; interest at 3% to 5%	435,000
\$9,800,000 Construction and renovation to Town facilities, including Streets and sidewalks (\$5,500,000) and Parks and recreation facilities (\$4,300,000) - serial bonds payable in annual installments of \$490,000 through 2038; interest at 2.5% to 5%	6,860,000
\$9,505,000 Refunding 2010B Build America Bonds (BABs) for Library renovation, streets and sidewalks, and Parks and recreation facilities - 2019 refunding serial bonds payable in annual installments of \$795,000 to \$935,000 through 2031; interest at 5%	6,240,000

\$3,205,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,500,000), and Parks and recreation (\$1,155,000) and public safety equipment (\$550,000) - 2021 serial bonds payable in annual installments of \$160,000 to \$165,000 through 2041; interest at 1% to 4%	2,725,000
\$4,755,000 Affordable Housing projects - 2021 serial bonds payable in annual installments of \$235,000 to \$240,000 through 2041; interest at 1% to 4%	4,040,000
\$1,980,000 Purchase of public safety equipment - 2023 serial bonds payable payable in annual installments of \$195,000 to \$200,000 through 2033; interest at 5%	1,780,000
\$12,945,000 Construction and renovation to Town facilities including streets and sidewalks (\$7,700,000) and affordable housing projects (\$5,245,000) - serial bonds payable in annual installments of \$645,000 to \$650,000 through 2043; interest at 3% to 5%	12,295,000
	<u><u>\$ 41,786,000</u></u>

Serviced by the Stormwater Fund:

\$2,700,000 - Construction and renovation to Town facilities, including Stormwater projects (\$2,700,000) - serial bonds payable in annual installments of \$135,000 through 2038; interest at 2.5% to 5%	<u><u>\$ 1,890,000</u></u>
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At June 30, 2024, the Town of Chapel Hill had bonds authorized but unissued of \$11.1 million.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 3,710,000	\$ 1,625,904	\$ 135,000	\$ 61,594
2026	3,534,000	1,461,706	135,000	54,844
2027	3,487,000	1,302,328	135,000	48,094
2028	3,165,000	1,155,625	135,000	44,719
2029	3,180,000	1,020,293	135,000	41,344
2030-2034	12,830,000	3,239,972	675,000	147,150
2035-2039	8,510,000	1,325,751	540,000	43,368
2040-2043	3,370,000	281,697	-	-
	<u><u>\$ 41,786,000</u></u>	<u><u>\$ 11,413,276</u></u>	<u><u>\$ 1,890,000</u></u>	<u><u>\$ 441,113</u></u>

d. Limited Obligation Bonds

Serviced by the Debt Service Fund:

\$32,805,000 - Limited Obligation Bonds to refinance installment notes payable for renovations to various municipal facilities and new financing for the construction of a new parking deck in downtown on East Rosemary Street and the Elliott Road reconstruction project - 2021 series A limited obligation bonds payable in annual installments at \$1,575,000 to \$1,720,000 through 2042; interest at 1.75% to 5%; East Rosemary Street Parking Deck pledged as collateral for the debt	\$ 29,405,000
\$18,721,000 - Limited Obligation Bonds to refinance 2012 series limited obligation bonds that were used to finance the acquisition and construction of the Town Operations Center and new financing for the construction of a new parking deck in downtown on East Rosemary Street - 2021 series B limited obligation bonds payable in annual installments at \$392,000 to \$2,625,000 through 2042; interest at 1.76%; East Rosemary Street Parking Deck pledged as collateral for the debt	11,435,000
\$12,121,000 - Limited Obligation Bonds to complete the construction of a new parking deck in downtown on East Rosemary Street - 2024 series A limited obligation bonds payable in annual installments at \$606,000 to \$607,000 through 2043; interest at 4.98%; East Rosemary Street Parking Deck pledged as collateral for the debt	12,121,000
\$4,040,000 - Limited Obligation Bonds to complete purchase a fire ladder truck and to provide furniture & fixtures for the new Police Department - 2024 series B limited obligation bonds payable in annual installments at \$404,000 through 2033; interest at 4.44%; ladder truck and furniture & fixtures pledged as collateral for the debt	4,040,000
	<u>\$ 57,001,000</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2025	\$ 4,827,000	\$ 2,043,585
2026	3,472,000	1,921,850
2027	3,481,000	1,774,919
2028	3,490,000	1,627,749
2029	3,501,000	1,480,241
2030-2034	16,384,000	5,258,988
2035-2039	12,905,000	2,583,252
2040-2044	8,941,000	621,205
	<u>\$ 57,001,000</u>	<u>\$ 17,311,789</u>

e. Installment Purchase

As authorized by State law [G.S. 153-A-158.1], the Town financed various renovations to Town facilities and vehicle purchases in direct placements for use by the Town of Chapel Hill by installment purchase.

Serviced by the Debt Service Fund:

\$7,984,000 - to renovate various facilities and Ephesus Fordham road reconstruction;
Raymond James direct placement installment purchase contract entered into March 2016;
due in varying annual installments through 2031; interest at 2.32%; Hargraves Center
pledged as collateral

\$ 3,710,000

Serviced by the Transit Fund:

Purchase of fleet replacement buses:

\$6,408,000 - Pinnacle Bank direct placement installment purchase contract entered into
February 2017 payable in annual installments of \$560,000 to \$705,000 through 2027;
interest at 2.09%; buses pledged as collateral for the debt

\$ 2,072,000

\$8,155,000 - Truist Bank direct placement installment purchase contract entered into
March 2023 payable in annual installments of \$467,606 to \$499,470 through 2033; interest
at 3.29%; buses pledged as collateral for the debt

7,479,000

\$ 9,551,000

Annual debt service requirements to maturity for installment purchase payables are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 566,000	\$ 86,072	\$ 1,403,000	\$ 279,844
2026	572,000	72,941	1,442,000	241,516
2027	499,000	59,670	1,481,000	202,106
2028	506,000	48,094	801,000	165,323
2029	514,000	36,354	828,000	138,739
2030-2031	1,053,000	36,749	3,596,000	270,981
	<u>\$ 3,710,000</u>	<u>\$ 339,880</u>	<u>\$ 9,551,000</u>	<u>\$ 1,298,509</u>

In addition to the general obligation bonds, limited obligation bonds and installment purchase payables, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences, pension liabilities, and other postemployment liabilities. These liabilities for governmental activities are liquidated in the General Fund.

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, 2024, the legal debt margin for the Town was approximately \$718 million.

Long-term debt activity for the year ended June 30, 2024 was as follows:

	June 30, 2023	Additions	Reductions	June 30, 2024	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 45,491,000	\$ -	\$ 3,705,000	\$ 41,786,000	\$ 3,710,000
Limited obligation bonds	44,900,000	16,161,000	4,060,000	57,001,000	4,827,000
Direct placement installment notes payable	4,268,000	-	558,000	3,710,000	566,000
Orange County loan payable	123,146	-	-	123,146	-
Bond premium	9,922,381	-	690,796	9,231,585	-
IT subscription liability	176,189	97,649	212,448	61,390	37,227
Total pension liability for LEO	6,398,481	889,761	-	7,288,242	-
Net pension liability for LGERS	21,071,291	4,592,657	-	25,663,948	-
Net pension liability for LGERS - internal service	294,392	65,610	-	360,002	-
Compensated absences - governmental activities	3,313,681	2,968,630	2,766,863	3,515,448	2,766,863
Compensated absences - internal service	43,025	42,771	39,896	45,900	39,896
Net other postemployment liability	21,500,332	-	195,112	21,305,220	-
Net other postemployment liability - internal service	393,711	-	3,572	390,139	-
Long-term debt	<u>\$ 157,895,629</u>	<u>\$ 24,818,078</u>	<u>\$ 12,231,687</u>	<u>\$ 170,482,020</u>	<u>\$ 11,946,986</u>
Business-type activities:					
General obligation bonds	\$ 2,025,000	\$ -	\$ 135,000	\$ 1,890,000	\$ 135,000
Direct placement installment notes payable	10,889,000	-	1,338,000	9,551,000	1,403,000
Bond premium	97,164	-	6,478	90,686	-
Lease liability	157,112	-	64,631	92,481	76,658
Net pension liability for LGERS	8,795,084	1,902,672	-	10,697,756	-
Compensated absences	858,183	866,327	856,858	867,652	856,858
Net other postemployment liability	8,864,657	-	80,445	8,784,212	-
Long-term debt	<u>\$ 31,686,200</u>	<u>\$ 2,768,999</u>	<u>\$ 2,481,412</u>	<u>\$ 31,973,787</u>	<u>\$ 2,471,516</u>

In August 2021, the Town issued \$12,047,000 in advanced refunding limited obligation bonds and defeased the 2012 series limited obligation bonds and a 2015 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$481,044. This amount is amortized over the life of the refunded debt. The refinancing was undertaken as part of a larger borrowing to reduce total debt payments over the next 20 years and resulted in an economic gain of approximately \$1.07 million. On June 30, 2024, \$5,550,000 of limited obligation bonds and installment purchase contract is considered defeased.

In November 2019, the Town issued \$9,505,000 of general obligation refunding bonds and defeased the 2010 Build America Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The aggregate difference in debt service between the refunding debt and the refunded debt was \$192,928. This amount was netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. The refunding was undertaken to reduce total debt payments over the next 10 years and resulted in an economic gain of approximately \$850,000. On June 30, 2024, \$7,150,000 of general obligation bonds is considered defeased.

In June 2012, the Town issued \$22 million in advanced refunding limited obligation bonds and defeased 2005 and 2003 certificates of participation and a 2007 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The refinancing was undertaken to reduce total debt payments over the next 20 years and resulted in an economic gain of approximately \$800,000. On June 30, 2024, \$2,040,000 of certificates of participation is considered defeased.

OWASA's long-term debt as of June 30, 2024 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2024 Refunding Revenue Serial Bonds, in the amount of \$14,525,000, issued June 27, 2024, with a coupon rates of 4.0 and 5.0%; final maturity July 2049; net of unamortized bond premium of \$1,140,842 at June 30, 2024	14,525,000
Revenue bonds payable, Series 2021 Water and Sewer System Revenue Bonds, in the amount of \$18,840,000, issued April 8, 2021, with coupon rates of 5.0%; final maturity June 2046; net of unamortized premium of \$1,033,056 at June 30, 2024	\$ 17,835,000
Revenue bonds payable, Series 2020 Revenue Bonds, in the amount of \$9,500,000, issued April 7, 2020, with a coupon rate of 5.0%; final maturity June 2026, net of unamortized premium of \$175,225 at June 30, 2024	3,325,000
Revenue bonds payable, Series 2019 Revenue Bonds, in the amount of \$16,640,000, issued November 15, 2019, with coupon rates of 3.0% and 5.0%; final maturity June 2044; net of unamortized premium of \$1,365,505 at June 30, 2024	14,960,000
Revenue bonds payable, Series 2018 Refunding Revenue Serial Bonds, in the amount of \$18,075,000, issued April 10, 2018, with a coupon rate of 2.3%; final maturity July 2029; net of unamortized premium of \$539,525 at June 30, 2024	13,485,000
Revenue bonds payable, Series 2014 Refunding Revenue Serial Bonds, in the amount of \$15,965,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031; net of unamortized premium of \$391,748 at June 30, 2024	9,705,000
	<u>\$ 73,835,000</u>

The revenue bonds are secured by pledged water and sewer customer revenues, net of specified operating expenses to repay revenue bonds. In the event of default, the Authority agrees to pay to the purchaser, on demand, interest on any and all amounts due and owed under the related agreements.

Notes Payable - Direct Borrowings:

Note payable to NCDEQ in the amount of \$6,560,000 issued October 4, 2014, interest at 0%, Federal Revolving Loan, beginning May 2015, payable in annual installments of \$328,000 with a final payment due in May 2034	\$ 3,280,000
Note payable to NCDEQ in the amount of \$1,056,000 issued July 28, 2018, interest at 1.53%, DWSRF loan, beginning May 2019, payable in annual installments of \$52,800, with a final payment due in May 2038	691,991
Note payable to NCDEQ in the amount of \$3,028,700 issued June 17, 2019, interest at 1.53%, DWSRF loan, beginning November 2020, payable in annual installments, varying, with final payment due in May 2040	2,248,055
Note payable to NCDEQ in the amount of \$1,658,000 issued September 12, 2017, interest at 1.53%, State Reserve Loan, beginning May 2021, due in annual installments, varying, with a final payment due in May 2040	1,326,400
Note payable to NCDEQ in the amount of \$1,525,000 issued August 1, 2017, interest at 1.53%, State Reserve Loan, beginning November 2020, due in annual installments, varying, with a final payment due in May 2040	1,209,807
Note payable to NCDEQ in the amount of \$670,156 issued April 7, 2020, interest at 1.42%, DWSRF loan, beginning May 2021, due in annual installments, varying, with a final payment due in May 2040	3,847,915
Note payable to NCDEQ in the amount of \$1,451,268 issued June 13, 2023, interest at 1.02%, State Revolving Loan, beginning November 2024, due in semi-annual installments, varying, with a final payment due in May 2044	1,451,268
Note payable to NCDEQ in the amount of \$3,812,365 issued March 1, 2022, interest at 1.13%, State Revolving Loan, beginning May 2024, due in semi-annual installments, varying, with a final payment due in May 2043	3,602,010
Note payable to NCDEQ in the amount of \$568,853 issued April 4, 2013, interest at 1.16%, State Revolving Loan, beginning November 2025, due in semi-annual installments, varying, with a final payment due in May 2045	568,854
Note payable to NCDEQ in the amount of \$6,132,000 issued June 3, 2019, interest at 1.53%, Federal Revolving Loan, beginning May 2020, payable in annual installments of \$266,429 with a final payment due in May 2039	3,996,440
Note payable to NCDEQ in the amount of \$1,071,000 issued July 27, 2019, interest at 1.53%, Federal Revolving Loan, beginning May 2020, payable in annual installments of \$53,550, with a final payment due in May 2039	641,710
	<hr/>
	\$ 22,864,450

OWASA's outstanding notes from direct borrowings related to business-type activities is not secured by a pledge of the faith and credit of the State of North Carolina or of OWASA but is payable solely from the revenues of the project or benefited systems, or other available funds. The note contains provisions that an event of default would result in (1) any other monies due to OWASA from the state may be withheld by the state and applied to the payment of the outstanding note.

OWASA bond payable maturities are as follows:

Fiscal Year	Amortization of Premiums and Deferred Refunding			
	Maturities	Losses	Total	Interest
2025	\$ 6,000,000	\$ 703,930	\$ 6,703,930	\$ 2,767,646
2026	6,305,000	599,002	6,904,002	2,511,812
2027	4,835,000	496,823	5,331,823	2,223,101
2028	5,015,000	419,744	5,434,744	2,027,225
2029	5,245,000	375,728	5,620,728	1,823,438
2030-2034	15,750,000	999,912	16,749,912	6,484,287
2035-2039	11,190,000	519,473	11,709,473	4,260,188
2040-2044	13,085,000	255,205	13,340,205	2,366,688
2045-2046	6,410,000	30,383	6,440,383	604,117
Total	\$ 73,835,000	\$ 4,400,200	\$ 78,235,200	\$ 25,068,502

OWASA notes payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2025	\$ 1,688,417	\$ 147,631	\$ 1,836,048
2026	1,892,727	218,024	2,110,751
2027	1,892,727	160,192	2,052,919
2028	1,848,649	142,699	1,991,348
2029	1,688,417	127,369	1,815,786
2030-2034	7,522,485	450,113	7,972,598
2035-2039	5,567,222	191,916	5,759,138
2040-2044	763,806	17,418	781,224
Total	\$ 22,864,450	\$ 1,455,362	\$ 24,319,812

Advance Refundings:

On December 18, 2014, OWASA issued \$15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for future debt service payments of \$16,430,000 of Series 2006 revenue bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$561,010. This amount is being amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$1,984,121 and resulted in an economic gain of \$1,596,310.

On April 7, 2020, OWASA issued \$9,550,000 of Series 2020 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$10,350,000 of Series 2010 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. This advanced refunding was undertaken to reduce total debt payments over the next 6 years by \$1,091,381 and resulted in an economic gain of \$1,024,076.

OWASA's long-term liability activity for the year ended June 30, 2024 is as follows:

	July 1, 2023	Additions	Reductions	June 30, 2024	Due Within One Year
Direct Borrowings	\$ 16,671,578	\$ 7,644,202	\$ 1,451,330	\$ 22,864,450	\$ 1,688,417
Bonds payable:					
Revenue bonds	64,630,000	14,525,000	5,320,000	73,835,000	6,000,000
For issuance premiums	4,352,668	1,140,842	847,608	4,645,902	739,031
Lease liabilities	914,229	148,766	115,300	947,695	118,473
Subscription liabilities	117,622	846,652	238,685	725,589	110,933
Compensated absences	696,608	822,879	645,338	874,149	655,612
Net pension liability (LERS)	6,896,084	483,031	-	7,379,115	-
Total OPEB liability	12,348,033	222,513	-	12,570,546	307,872
Total bonds payable	\$ 106,626,822	\$ 25,833,885	\$ 8,618,261	\$ 123,842,446	\$ 9,620,338

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$73,835,000 in revenue bonds issued in 2014, 2018, 2019, 2020, 2021 and 2024. Proceeds from the bonds were used for rehabilitation or expansion of OWASA's water and sewer systems. Annual principal and interest payments are expected to require less than 22% of net revenues.

Principal and interest on the bonds are payable through 2049, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$98,903,502. Principal and interest paid in the year ended June 30, 2024 was \$7,728,513 and total customer net revenues for the year ended June 30, 2024 was \$48,228,558. There is no unused line of credit.

OWASA is in compliance with the covenants to rates, fees, rentals, and charges in the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014, 2018, 2019, 2020, 2021 and 2024. The Bond Order requires the debt service coverage ratio to be no less than the greater of (i) 120% of the debt service requirements for parity indebtedness and (ii) 100% of the debt service requirements for parity indebtedness and subordinated indebtedness for such fiscal year.

The debt service coverage ratio calculation for the year ended June 30, 2024, is as follows:

Operating revenues	\$ 48,228,558
System development fees	2,776,005
Operating expenses *	<u>29,207,388</u>
Income available for debt service	<u>\$ 21,797,175</u>
Debt service on parity indebtedness, principal and interest paid	<u>\$ 7,728,513</u>
Debt service coverage ratio for parity debt	<u>282%</u>
Subordinated indebtedness debt service - principal and interest paid	<u>\$ 2,015,788</u>
Debt Service coverage ratio - parity and subordinated indebtedness	<u>224%</u>

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

I. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current year	\$ 6,970,664
Pension deferral	17,376,999
OPEB deferral	710,173
	<u>\$ 25,057,836</u>

Deferred inflows of resources at year-end is comprised of the following:

Source	Amount
Prepaid taxes (General Fund)	\$ 4,358
Leases (General Fund)	85,850
Pension deferral	1,093,000
OPEB deferral	820,191
	<u>\$ 2,003,399</u>

J. Fund Balance

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

Total fund balance - General Fund	\$ 35,522,828
Less:	
Inventories	970
Leases	655
Stabilization by State Statute	11,253,309
Inspections	129,583
Parks projects	105,754
Streets projects	483,622
Public safety	174,876
Workforce development	4,079
Economic development	89,053
Appropriated in FY25 budget	2,485,658
Working capital fund balance reserve	10,162,974
Remaining fund balance	10,632,295

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

Encumbrances	
Major funds:	
General Fund	\$ 831,798
Capital Projects Ordinance Fund	10,417,077
American Rescue Plan Fund	2,819,568
Non-major funds	7,118,465

K. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2024, the statements of the Town include a net of balances due to/from other funds in the amount of \$9,140,941 as detailed below. The payable in the Housing fund represents the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end. The Parking facility fund payable represents the payment by the Debt service fund of the initial debt service costs on the East Rosemary Deck prior to revenue generation and initial project costs. The payable from the Housing Capital Grants Fund and Transit Capital Grants Fund to the General Fund represents the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end.

Governmental funds to Business-type funds:

Receivable Fund	Payable Fund	Amount
General fund	Housing fund	20,327
Debt service fund	Parking facility fund	9,120,614
		<u>\$ 9,140,941</u>

Between governmental funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Fund - Housing Capital Grants Fund	57,824
General Fund	Nonmajor Fund - Transit Capital Grants Fund	1,720,631
		<u>\$ 1,778,455</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2024 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater Fund	(9,710)
From Transit Fund to Nonmajor Fund	1,182,698
Total transfers to governmental funds from proprietary funds	<u>\$ 1,172,988</u>

Transfers between governmental funds:

From Nonmajor Fund to General Fund	45,000
From Capital Projects Ordinance Fund to General Fund	250,000
From Nonmajor Fund to Nonmajor Fund	11,930
From General Fund to Nonmajor Fund	4,274,907
From General Fund to Debt Fund	445,100

The Town uses transfers to move funds between various programs that must be accounted for in other funds in accordance with budgetary authorization, including amounts to provide matching funds for grants. The transfer of \$9,710 from the General Fund to the Stormwater Fund is to cover the stormwater fee exemption. Transit made a transfer of \$1,182,698 in matching funds to the Transit Grants Fund for transit capital grants. The Library Gift Fund transfers \$45,000 annually to the General Fund to help offset the cost of book purchases. The General Fund transferred funds to the to the Affordable Housing Development Reserve Fund and the Climate Action Fund for its annual contribution to the funds, to the Grants Fund for grant matches, to the Capital Projects Fund to fund pay-go capital, and to the Debt Fund for the incremental tax value increase in the Blue Hill District for the debt payment for Ephesus Fordham. The transfer of \$250,000 from the Capital Projects Ordinance Fund to the General Fund represents the return of FY 2022 excess fund balance funding to purchase public safety radios which came in under budget. The transfer from the Capital Projects Fund to the Grants Fund represents a local match.

L. Employees' Retirement System

I. North Carolina Local Governmental Employees' Retirement System

Plan Description. The Town of Chapel Hill and OWASA are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town and OWASA employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2024, was 14.04% of compensation for law enforcement officers and 12.90% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the

year. For OWASA, the current rate for employees is 12.88%. The Town's contributions to the pension for the year ended June 30, 2024, were \$6,668,794 and OWASA's contributions were \$1,458,877.

Refunds of Contributions. Town and Authority employees who have terminated service as a contributing member of LGERS, may file an application for refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Town reported a liability of \$36,721,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024, the Town's proportion was 0.55445% (measured as of June 30, 2023), which was an increase of 0.01982% from its proportion as of June 30, 2023 (measured as of June 30, 2022).

For the year ended June 30, 2024, the Town recognized pension expense of \$10,467,132. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,091,885	\$ 88,091
Changes of assumptions	1,560,461	-
Net difference between projected and actual earnings on pension plan investments	9,828,336	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	560,077	383,378
Town contributions subsequent to measurement date	6,668,794	-
Total	<u>\$ 22,709,553</u>	<u>\$ 471,469</u>

\$6,668,794 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2025	\$	5,544,431
2026		2,854,575
2027		6,754,691
2028		415,593
2029		-
Thereafter		-
	\$	<u>15,569,290</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (a) inflation rate of 3.00 percent, (b) salary increases of 3.50%, (c) investment rate of return of 7.00%, net of pension plan investment expense, including inflation.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections.

Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
	100%	

The information above is based on 30-year expectations developed with an investment consulting firm's 2024 long term capital market assumptions. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized. Source data is provided in the Annual Comprehensive Financial Report (ACFR) published at the [NC Office of State Controller](#).

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's proportionate share of the net pension liability (asset)	\$ 63,618,913	\$ 36,721,706	\$ 14,577,405

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

2. Law Enforcement Officers' Special Separation Allowance

Plan Description. The Town of Chapel Hill administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service.

The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year 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. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Retirees receiving benefits	25
Terminated plan members entitled to but not yet receiving benefits	0
Active Plan members	93
	<hr/>
	118
	<hr/>

Summary of Significant Accounting Policies:

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2022 valuation. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (a) inflation rate of 2.5 percent, (b) salary increases of 3.25% to 7.75%, including inflation and a productivity factor, (c) discount rate of 4.00%. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023. Mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$513,869 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Town reported a total pension liability of \$7,288,242. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$980,791.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 810,409	\$ -
Changes of assumptions	525,831	621,531
Town benefit payments and plan administrative expense made subsequent to the measurement date	301,870	-
Total	\$ 1,638,110	\$ 621,531

\$301,870 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2025. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as:

Year ending June 30:

2025	\$ 438,500
2026	81,573
2027	25,214
2028	169,422
2029	-
Thereafter	-
	\$ 714,709

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 4.00%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Discount Rate (4.00%)	1% Increase (5.00%)
Total pension liability	\$ 7,775,306	\$ 7,288,242	\$ 6,841,224

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2024
Total Pension Liability as of December 31, 2022	\$ 6,398,481
Changes for the year:	
Service Cost at End of Year	216,515
Interest on the total pension liability	264,701
Changes in benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	788,023
Changes of assumptions and other inputs	134,391
Benefit payments	(513,869)
Other changes	-
Net Changes	889,761
Total Pension Liability as of December 31, 2023	\$ 7,288,242

The plan currently uses mortality tables that vary by age, health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period as of December 31, 2019.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 10,467,132	\$ 980,791	\$ 11,447,923
Pension Liability	36,721,706	7,288,242	44,009,948
Proportionate Share of the Net Pension Liability	0.55445%	n/a	

	LGERS	LEOSSA	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 4,091,885	\$ 810,409	\$ 4,902,294
Changes of assumptions	1,560,461	525,831	2,086,292
Net difference between projected and actual earnings on plan investments	9,828,336	-	9,828,336
Changes in proportion and differences between Town contributions and proportionate share of contributions	560,077	-	560,077
Benefit payments and administrative costs paid subsequent to the measurement date	6,668,794	301,870	6,970,664
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 88,091	\$ -	\$ 88,091
Changes of assumptions	-	621,531	621,531
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	383,378	-	383,378

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$575,157 which consisted of \$385,339 from the Town and \$189,818 from law enforcement officers. No amounts were forfeited.

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

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

Funding Policy. The Town contributes five percent of each employee's qualified salary (excluding law enforcement officers) and all amounts are vested immediately. Employees may also make voluntary contributions. The Town Council has the authority to establish and amend contribution requirements. Contributions for the year ended June 30, 2024, were \$3,267,025, which consisted of \$2,151,444 from the Town and \$1,115,581 from employees. No amounts were forfeited.

M. Other Post-Employment Benefits

Plan Description. By ordinance of the Town Council, the Town administers the Healthcare Benefits Plan (HCB Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all retirees of the Town who were hired before July 1, 2010, participate in the North Carolina Local Governmental Employees' Retirement System (System), and have at least five years of creditable service with the Town. Retirees who qualify for coverage receive the same benefits as active employees, wherein the Town pays all or a portion of the costs of coverage for the benefits based on years of service. The HCB Plan is available to qualified retirees until the age of 65 or until Medicare eligible, whichever is soon. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. Management of the HCB Plan is vested in the Town of Chapel Hill Town Council.

Plan membership. Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	332
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	223
	<u>555</u>

Benefits provided. The Town's payment for the coverage (whether on group coverage or Medicare supplement) is based on the number of years of town service of the retired employee according to the following scale:

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

The HCB Plan provides healthcare benefits for retirees. The Town pays a percentage of the cost of coverage for employees' benefits through private insurers. For new employees hired on or after July 1, 2010, the Town Council established a defined contribution plan where each employee will contribute a mandatory 1% of biweekly gross income to a Retirement Health Savings Plan (RHSP) which provides a means for employees to save money for future withdrawals to pay qualified health care expenses.

Contributions. The Town Council established the contribution requirements of plan members which may be amended by the Council. The Council establishes rates based on an actuarially determined rate. For the year ended June 30, 2024, the Town contributed \$35 per biweekly pay period (\$910 annually) on behalf of each employee in the defined contribution plan.

Per a Town resolution, the Town is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the board. For the fiscal year ended June 30, 2024, the Town made payments for post-retirement health benefit premiums of \$1,847,561 plus an implicit subsidy credit of \$427,200 and the retirees made payments of \$47,492 for dependent care and for the employee's share of coverage according to the schedule above. For the fiscal year ended June 30, 2024, the Town also contributed \$454,700 to the trust fund.

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

Investments

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Town Council by a majority vote of its members. It is the policy of the Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Council's adopted asset allocation policy as of June 30, 2024:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity Index Fund	100%	6.75%
Bond Index Fund	0%	0.0%
Short Term Investment Fund	0%	0.0%

Rate of Return. For the year ended June 30, 2024, the annual money weighted rate of return on investments, net of investment expense was 5.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2024 were as follows:

Total OPEB Liability	\$	39,119,276
Plan fiduciary net position		<u>8,639,705</u>
Town's net OPEB liability	\$	<u><u>30,479,571</u></u>
Plan fiduciary net position as a		
percentage of the total OPEB liability		22.09%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: (a) inflation rate of 2.50 percent, (b) salary increases of 3.25% to 8.41%, including inflation and a productivity factor, (c) investment rate of return of 6.75%, net of OPEB plan investment expense, including inflation, (d) healthcare cost trend rates of 7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032 for pre-medicare, 5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025 for Medicare and 2.00% for vision.

The total OPEB liability was rolled forward to June 30, 2024, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period 2015-2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented above.

Discount rate. The discount rate used to measure the total OPEB liability was 6.75%. The following actuarial methods and assumptions were used in the projection of cash flows: (a) active employees do not explicitly contribute to the plan; (b) in all years, the Town is assumed to contribute the average of the last 5 years of contributions to the plan through deposits to the Trust and pay benefits directly to plan members as the benefits come due; (c) projected assets do not include employer contributions that fund the estimated service costs of future employees; (d) cash flows occur mid-year. Based on these assumptions, the Plan's fiduciary net position was not projected to be depleted.

Sensitivity of the net OPEB liability to changes in the discount rate. At June 30 2024, the following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 34,747,622	\$ 30,479,581	\$ 26,891,139

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were to calculate healthcare cost trend rates that are one percentage point higher or one percentage point lower than the current healthcare cost rate:

	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 26,087,229	\$ 30,479,571	\$ 35,735,789

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2024, the Town reported a net OPEB liability of \$30,479,571. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2024, the components of the net OPEB liability of the Town were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2023	\$ 38,513,351	\$ 7,754,651	\$ 30,758,700
Changes for the Year:			
Service Cost	409,227	-	409,227
Interest	2,524,132	-	2,524,132
Difference between Expected and Actual experience	(52,673)	-	(52,673)
Changes of assumptions	-	-	-
Contributions	-	2,729,461	(2,729,461)
Net Investment Income	-	430,354	(430,354)
Benefit Payments	(2,274,761)	(2,274,761)	-
Net Changes	605,925	885,054	(279,129)
Balances at June 30, 2024	\$ 39,119,276	\$ 8,639,705	\$ 30,479,571

Changes of assumptions. Changes of assumptions and other inputs reflect updates to the medical claims costs and rates based on the most recent experience. The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the future implementation of the excise tax on high-value health insurance plans (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e. trend). Given the uncertainty regarding the ACA's implementation, continued monitoring of the ACA's impact on the Plan's liability will be required.

For the year ended June 30, 2024, the Town recognized OPEB expense (income) of (\$3,586,939). At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,493	\$ 820,191
Changes of assumptions	189,285	-
Net difference between projected and actual earnings on plan investments	482,395	-
Total	<u>\$ 710,173</u>	<u>\$ 820,191</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2025	\$ (338,538)
2026	141,318
2027	65,565
2028	21,637
2029	-
Thereafter	-

N. Other Employment Benefits

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

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

O. Commitments and Contingencies

The Town has commitments related to capital improvements, capital purchases and town-wide development projects at June 30, 2024 for the following:

Vehicle/Bus/Truck Purchases	\$	17,203,390
Parking Projects		6,083,803
Streets, Paving, Drainage and Sidewalks		3,904,540
Transit Projects		3,201,778
Parks & Recreation Projects		2,654,894
Miscellaneous Projects		1,272,122
Affordable Housing Projects		877,777
Estes Drive Project		644,628
Ephesus - Fordham Project		36,866
	\$	<u>35,879,798</u>

OWASA is committed under various contracts for the completion of water and wastewater treatment facilities and other water and sewer projects. OWASA's management estimates the cost to complete these contracts to be approximately \$10,750,717 at June 30, 2024.

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 the purchase of commercial liability insurance for general liability, automobile liability, public officials' liability, law enforcement liability, crime, cyber liability, and property losses.

Through these commercial insurance policies, the Town maintains coverage of \$1,000,000 for general liability per occurrence with a \$2,000,000 aggregate.

The Town maintains excess liability coverage in the amount of \$10,000,000, and \$1,000,000 for automobile liability with \$500,000 uninsured motorist, and \$1,000,000 for crime, law enforcement liability, cyber liability, public officials', and employment liability. The Town is insured for property damages with replacement cost coverage for all scheduled properties with a \$10,000 deductible and a \$5,000 deductible under fine arts.

The Town is insured for workers' compensation and employer's liability through participation in the North Carolina Interlocal Risk Management Pool Agency (IRMA) with the North Carolina League of Municipalities. The Town's potential loss related to workers' compensation is limited to the deductible amount of \$5,000 per occurrence. Specific information related to the IRMA of the Board of Trustees can be obtained by contacting Risk Management Services Department of the NC League of Municipalities. The risk pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request. There are no significant reductions in insurance coverage in the past year for any major risk category.

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The Town carries coverage totaling \$2,417,900 in values which are related to these ten structures.

In accordance with G.S. §159-29, the Town's employees who have access to \$100 or more at any given time or access to inventory are covered through the Blanket Employee Theft coverage which is under the Town's Crime Policy. This policy limit is \$1,000,000 per occurrence with a \$25,000 deductible. The Town does not appoint a tax collector as taxes are collected by Orange and Durham Counties. The Finance Officer was individually bonded for \$200,000 through December 31, 2022. Effective with the bond renewal on January 1, 2023, the Town increased the bonding for the Finance Officer to \$1,000,000 in order to comply with S.L. 2022-53, Section 9(a).

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, 2024 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.

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The following financial statements have been compiled from the audited financial statements of the Town for the fiscal years ended June 30, 2024, 2023, and 2022.

Town of Chapel Hill, North Carolina
General Fund
Balance Sheet
As of June 30, 2024, 2023, and 2022

	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 29,500,613	\$ 28,994,310	\$ 32,017,646
Receivables:			
Due from other funds	1,798,782	1,872,537	1,579,944
Property taxes, net	153,857	138,403	141,188
Governmental units and agencies	8,089,659	8,017,482	6,804,441
Leases	86,505	145,066	203,112
Other	804,182	769,306	793,060
Inventories	970	1,565	3,439
Restricted cash and equivalents	915,947	883,476	843,032
Total assets	<u>\$ 41,350,515</u>	<u>\$ 40,822,145</u>	<u>\$ 42,385,862</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 1,942,762	\$ 2,049,266	\$ 1,956,430
Accrued liabilities	2,453,801	1,544,701	2,721,778
Accounts payable from restricted assets	168,010	168,010	168,010
Other payables from restricted assets	747,937	715,466	675,022
Total liabilities	<u>5,312,510</u>	<u>4,477,443</u>	<u>5,521,240</u>
Deferred Inflows of Resources			
Property taxes receivable	153,857	138,403	141,188
Fees and charges receivable	271,112	228,845	210,369
Leases	85,850	144,289	202,729
Prepaid taxes	4,358	4,063	10,045
Total deferred inflows of resources	<u>515,177</u>	<u>515,600</u>	<u>564,331</u>
Fund balances			
Nonspendable:			
Inventories	970	1,565	3,439
Leases	655	777	383
Restricted:			
Stabilization by State Statute	11,253,309	12,333,204	10,293,382
Inspections	129,583	655,158	83,089
Parks capital projects	105,754	52,954	36,603
Streets capital projects	483,622	483,622	483,622
Public safety	174,876	176,641	178,347
Assigned:			
Subsequent year's expenditures	2,485,658	2,469,359	2,663,390
Workforce development	4,079	10,016	263,029
Economic development	89,053	70,014	53,737
Unassigned	20,795,269	19,575,792	22,241,270
Total fund balances	<u>35,522,828</u>	<u>35,829,102</u>	<u>36,300,291</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,350,515</u>	<u>\$ 40,822,145</u>	<u>\$ 42,385,862</u>

The accompanying notes are an integral part of these financial statements.

Town of Chapel Hill, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2024, 2023 and 2022

	2024	2023	2022
Revenues			
Taxes	\$ 63,868,692	\$ 57,850,152	\$ 55,553,025
Licenses and permits	3,261,218	4,345,136	3,655,031
Fines and forfeitures	33,394	31,392	17,379
Intergovernmental revenues:			
Federal government	4,433	87,350	-
State government	8,600,840	8,077,517	7,912,473
Other	782,005	680,889	665,695
Charges for services	4,649,876	5,212,191	3,759,055
Interest on investments	1,412,490	598,665	6,414
Donations	172,709	107,085	104,177
Revenue in lieu	52,800	16,351	64,916
Mutual aid reimbursements	730,778	565,167	492,897
Other	337,708	326,166	309,665
Total revenues	<u>83,906,943</u>	<u>77,898,061</u>	<u>72,540,727</u>
Expenditures			
General government	18,788,878	17,058,497	14,384,980
Environment and development	20,101,239	19,184,143	17,061,802
Public safety	27,887,326	25,353,594	23,833,501
Leisure activities	12,951,341	11,567,471	10,297,300
Debt service:			
Principal	212,448	187,091	11,871
Interest and fiscal charges	3,939	859	129
Total expenditures	<u>79,945,171</u>	<u>73,351,655</u>	<u>65,589,583</u>
Revenues over expenditures	<u>3,961,772</u>	<u>4,546,406</u>	<u>6,951,144</u>
Other financing sources (uses)			
Insurance recovery	69,022	81,617	29,840
Lease liabilities issued	-	-	23,794
Subscription financing	97,649	351,357	-
Transfers from other funds:			
Special revenue funds	45,000	45,000	45,000
Capital projects funds	250,000	-	-
Transfers to other funds:			
Debt Service Fund	(445,100)	(445,100)	(445,100)
Special revenue funds	(2,037,934)	(1,431,331)	(1,334,484)
Capital projects funds	(2,236,973)	(2,477,000)	(2,423,000)
Enterprise funds	(9,710)	(8,338)	(9,229)
Internal service funds	-	(1,133,800)	(900,000)
Total other financing uses	<u>(4,268,046)</u>	<u>(5,017,595)</u>	<u>(5,013,179)</u>
Net change in fund balances	<u>(306,274)</u>	<u>(471,189)</u>	<u>1,937,965</u>
Fund balance, beginning of year	<u>35,829,102</u>	<u>36,300,291</u>	<u>34,362,326</u>
Fund balance, end of year	<u>\$ 35,522,828</u>	<u>\$ 35,829,102</u>	<u>\$ 36,300,291</u>

The accompanying notes are an integral part of these financial statements.

Town of Chapel Hill, North Carolina
Debt Service Fund
Balance Sheet
As of June 30, 2024, 2023, and 2022

	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 623,548	\$ 4,176,879	\$ 8,998,981
Receivables:			
Due from other funds	-	5,649,445	1,874,213
Property taxes, net	24,163	23,159	23,990
Governmental units and agencies	41,656	50,196	36,978
Advances due in more than a year	9,120,614	-	-
Total assets	<u>\$ 9,809,981</u>	<u>\$ 9,899,679</u>	<u>\$ 10,934,162</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Deferred Inflows of Resources			
Property tax receivable	\$ 24,163	\$ 23,159	\$ 23,990
Total deferred inflows of resources	<u>24,163</u>	<u>23,159</u>	<u>23,990</u>
Fund balances			
Restricted:			
Stabilization by State Statute	9,162,270	5,699,641	1,911,191
Committed:			
Debt service payments	623,548	813,667	10,237,345
Assigned:			
Subsequent year's expenditures	-	3,363,212	672,827
Unassigned	-	-	(1,911,191)
Total fund balances	<u>9,785,818</u>	<u>9,876,520</u>	<u>10,910,172</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,809,981</u>	<u>\$ 9,899,679</u>	<u>\$ 10,934,162</u>

The accompanying notes are an integral part of these financial statements.

Town of Chapel Hill, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2024, 2023 and 2022

	2024	2023	2022
Revenues			
Taxes	\$ 8,489,995	\$ 8,388,560	\$ 8,330,087
Interest on investments	2,579,116	768,793	22,138
Total revenues	<u>11,069,111</u>	<u>9,157,353</u>	<u>8,352,225</u>
Expenditures			
Debt service:			
Principal	8,323,000	7,732,000	5,847,000
Interest and fiscal charges	3,281,913	2,904,105	2,786,108
Total expenditures	<u>11,604,913</u>	<u>10,636,105</u>	<u>8,633,108</u>
Revenues under expenditures	<u>(535,802)</u>	<u>(1,478,752)</u>	<u>(280,883)</u>
Other financing sources (uses)			
Proceeds from refunding bond issuance	-	-	12,047,000
Premium from refunding bond issuance	-	-	275,881
Payment to refunding escrow agent	-	-	(12,241,044)
Transfers from other funds:			
General Fund	445,100	445,100	445,100
Capital projects funds	-	-	3,399,950
Total other financing sources	<u>445,100</u>	<u>445,100</u>	<u>3,926,887</u>
Net change in fund balances	(90,702)	(1,033,652)	3,646,004
Fund balance, beginning of year	9,876,520	10,910,172	7,264,168
Fund balance, end of year	<u>\$ 9,785,818</u>	<u>\$ 9,876,520</u>	<u>\$ 10,910,172</u>

The accompanying notes are an integral part of these financial statements.

The following budget statements have been compiled from the budget ordinance and related amendments of the Town for the fiscal year ending June 30, 2025.

Town of Chapel Hill, North Carolina
Compiled Budget - Annually Budgeted Funds
For the Fiscal Year Ended June 30, 2025
As of February 28, 2025

	General Fund	Debt Service Fund
Estimated Revenues		
Taxes	\$ 44,635,000	\$ 8,609,000
Licenses and permits	3,433,443	-
Fines and forfeitures	28,250	-
Intergovernmental revenues	32,072,730	-
Charges for services	5,616,827	-
Interest on investments	750,000	600,000
Other	439,602	-
Total estimated revenues	<u>86,975,852</u>	<u>9,209,000</u>
 Appropriations		
General government	20,614,088	-
Environment and development	22,620,673	-
Public safety	29,288,458	-
Leisure activities	13,954,010	-
Debt service:		
Principal	-	6,392,000
Interest and fiscal charges	-	2,117,691
Total appropriations	<u>86,477,229</u>	<u>8,509,691</u>
 Estimated revenues over appropriations	<u>498,623</u>	<u>699,309</u>
 Other financing sources (uses)		
Transfers from other funds:		
General Fund	-	445,100
Special revenue funds	45,000	-
Transfers to other funds:		
Debt Service Fund	(445,100)	-
Special revenue funds	(1,725,509)	-
Capital projects funds	(2,586,623)	-
Enterprise funds	(17,000)	(431,121)
Appropriated (contributed) fund balances	<u>4,230,609</u>	<u>(713,288)</u>
Total other financing uses	<u>(498,623)</u>	<u>(699,309)</u>
 Estimated revenues and other sources over appropriations and other uses	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Compiled by the staff of the Finance Department of the Town of Chapel Hill.

SanfordHolshouser

209 Lloyd Street, Suite 350 | Carrboro, NC 27510
www.shlawgroup.com

[Proposed form of Bond Counsel Opinion]

June 24, 2025

Town of Chapel Hill, North Carolina

[\$13,830,000]

Town of Chapel Hill, North Carolina

General Obligation Public Improvement Bonds, Series 2025

We have acted as bond counsel to the Town of Chapel Hill, North Carolina (the "Town"), in connection with the Town's issuance today of the above-captioned bonds (the "Bonds"). The Town is and has been our only client in this transaction. We have examined the applicable law and certified copies of proceedings and documents relating to the issuance.

Without undertaking to verify the same by independent investigation, we have relied on representations and certifications by representatives of the Town, the North Carolina Local Government Commission (the "LGC") and others as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Town has made certain covenants (the "Covenants") to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of Bond proceeds and the timely payment to the United States of any arbitrage rebate required under the Code, all as set forth in the proceedings and documents providing for the issuance of the Bonds.

We make reference to the Bonds and the LGC's Official Statement June 3, 2025 (the "Official Statement"), related to the offering of the Bonds, for additional information

Sanford Holshouser PLLC

July 24, 2025

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concerning the details of the Bonds, their payment and redemption provisions, their purposes and the proceedings pursuant to which they are issued.

We have assumed the capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies or specimens.

Based on the foregoing, as of today and under existing law, we are of the following opinions:

1. The Town has duly authorized and issued the Bonds. The Bonds are legal, valid and binding obligations of the Town, enforceable in accordance with their terms. The Town's faith and credit are pledged for the payment of principal of and interest on the Bonds, and the Town is authorized to levy and collect ad valorem taxes, without restriction as to rate or amount, on all locally taxable property to pay the principal of and interest on the Bonds.

Our opinions as set forth in paragraph 1 are subject to the effect (a) of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and (b) of general principles of equity, regardless of whether applied in a proceeding in equity or at law.

2. Interest on the Bonds paid by the Town is not included in gross income for federal income tax purposes under Code Section 103. Interest on the Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax, but the interest may be taken into account in computing the alternative minimum tax imposed on certain corporations. The Town's failure to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

3. Interest on the Bonds is exempt from State of North Carolina income taxes.

Sanford Holshouser PLLC

July 24, 2025

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We express no opinion regarding other federal or North Carolina tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we have deemed necessary to evaluate the legality, validity and enforceability of the Bonds and to evaluate the status of the interest on the Bonds under the federal and North Carolina tax laws referenced above.

We have not made any investigation concerning the Town's operations or condition. We express no opinion (a) as to the Town's ability to provide for payments on the Bonds, (b) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in deciding to purchase Bonds, including the Official Statement, or (c) as to any party's compliance with any terms or conditions precedent to any purchase of Bonds.

We assume no responsibility to update this opinion or take any other action with regard to changes in facts, circumstances or the applicable law.

Very truly yours,

[To Be Signed, "Sanford Holshouser PLLC"]

BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants, and Beneficial Owners are based on information furnished by DTC.

DTC will act as a securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is, in turn, to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Town or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, and redemption premiums, if any, is the Town's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as a securities depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the Town may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the Town takes no responsibility for the accuracy thereof.

The Town cannot and does not give any assurances that DTC, Direct Participants, or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE TOWN HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.