

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2017**

Prepared by:

Town of Chapel Hill
Business Management Department

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November 30, 2017

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chapel Hill for the fiscal year ended June 30, 2017 (FY 2016-17) is hereby submitted. North Carolina general statutes require each unit of local government to publish within four months after the close of the fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards. To the best of our knowledge and belief, the enclosed data accurately presents the financial position and the results of operations of the Town as measured by the financial activity of its various funds. This report reflects the sound fiscal policies our elected officials have established to achieve their annual priorities for programs, services and capital improvements. The town's strong financial position is demonstrated by the highest credit rating attainable in the national bond markets.

Management of the Town of Chapel Hill, North Carolina, is responsible for the integrity and objectivity of financial statements and other representations contained in this annual report. The town's annual financial report, prepared in accordance with generally accepted accounting principles ("GAAP") for units of local government, consists of management's representations concerning the financial position and results of operations for the fiscal year ended June 30, 2017.

The town engaged Martin Starnes and Associates, CPAs, P.A., independent auditors, to perform an audit of the town's reported financial position and results of operations contained in the government-wide and fund financial statements and notes to the financial statements.

Their audit consists of an objective outside review in order to provide reasonable rather than absolute assurance that the financial statements are free from material misstatements. Working with the town's professional financial staff, they reviewed and made appropriate tests of data included in the financial statements, and evaluated the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the financial statements of the Town of Chapel Hill for the fiscal year ended June 30, 2017 are presented in conformity with generally accepted accounting principles. The report of the independent auditors is presented as the first component of the financial section of this report.

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

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

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

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

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

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

Budgetary control is maintained at the major functional level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are a component of restricted fund balances at June 30, 2017.

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

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

Profile of the Town of Chapel Hill

The Town is located principally in Orange County with a small section extending into Durham County in the north central portion of North Carolina on the Piedmont Plateau, approximately equidistant between Washington, D.C. and Atlanta, Georgia. The area's topography is characterized by rolling hills. The Town, which was chartered in 1819, presently covers an area of 21.3 square miles, serves an official population of 59,569 and is the home of the University of North Carolina at Chapel Hill.

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

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

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

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

Factors Affecting Financial Condition

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

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

The economy of the Town is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented businesses. The University of North Carolina at Chapel Hill and the University of North Carolina Health Care System are the largest employers in the Town, providing about 21,000 jobs. These institutions contribute significantly to the low unemployment rate in the Town and Orange County when compared to the rest of the state. The Town's unemployment rate has been below State and national rates over the last five years. The Town's economy is expected to remain relatively strong in the foreseeable future because of the benefits derived from the low unemployment rate and a stable employment base.

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

Voters approved a \$40.3 million GO bond referendum that was on the ballot in the November 2015 election. The following bond orders were approved by voters and adopted by Council:

• Streets and Sidewalks	\$16.2 million
• Trails and Greenways	5.0 million
• Recreation Facilities	8.0 million
• Solid Waste Facilities	5.2 million
• Stormwater Improvements	<u>5.9 million</u>
Total	\$40.3 million

The bond orders included projects that have been prioritized through the Town's internal review process, various master planning processes, special studies, facility assessments and importance ranking in the Town's biennial community survey. The voters approved the referendum passing all five bond orders by wide margins. The Town now has the authority to issue these bonds within 7 years of the date of the referendum.

In preparation for the referendum the Council increased the portion of the property tax dedicated to debt service from 7.5 cents to 8.5 cents for FY15. This increase provides capacity to pay the additional debt service for the 2015 general obligation bonds.

In February 2017, the Town issued \$9.0 million of these general obligation bonds as follows: \$5.0 million for greenways and trails, \$3.0 million for streets and sidewalks and \$1.0 million for parks projects. In February 2017, the Town also issued \$1.46 million in 2/3 bonds for the purchase of a ladder fire truck and for emergency communication equipment. The Town also issued \$6.408 million in installment notes payable for the purchase of 14 buses.

The previous GO bond referendum was held in 2003. The five approved bond orders (listed below), totaled \$29.36 million.

- Library Building Improvements \$16.26 million
- Sidewalks and Streets 5.60 million
- Parks & Recreation Facilities 5.00 million
- Open Space 2.00 million
- Public Buildings 0.50 million

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

The Library project was completed in spring of 2013 and the other bond-funded projects were completed by 2015-16.

In June 2012, the Town sold \$28.8 million in Limited Obligation Bonds (LOBs), taking advantage of favorable interest rates to both refinance existing debt and to borrow additional funds to meet the obligations for the 140 West project. The LOBs refunded the existing certificates of participation for construction of the Town Operation Center and Wallace Parking Deck, as well as two installment purchase agreements for building parks projects. The LOBs include \$6.7 million of new debt to pay for the Town's portion of the parking structure in the 140 West mixed-use development, capital repairs of the Wallace Deck and renovations to the Town Operations Center.

The 140 West project is a public/private development project that includes a three-part building complex combining condominiums, retail and underground parking. The complex was

constructed on town-owned land and includes 137 condominiums with 21 affordable housing units, nearly 30,000 square feet of office/retail space, and 330 parking spaces. The project also includes about 27,000 square feet of open public space and public art. The town owns the site with a land lease and owns 161 parking spaces with the remaining 169 spaces owned by the condominium association for use by condominium owners.

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

In 2011-12, the Town engaged the community in the creation of a new comprehensive plan, Chapel Hill 2020. The 2020 process brought together all stakeholders, including people who live, work, invest or play in the town, through a year-long series of discussions to provide input into the development of a guiding document that articulates the comprehensive vision and direction of the Town. The Town Council adopted Chapel Hill 2020 in June 2012, and directed a refinement of several small area plans and the Town's land development regulations as the first implementation phase of the new comprehensive plan. The implementation of 2020 which began in FY2013, included a series of small area focus plans and the launch of proposed revisions to the Land Use Management Ordinance (LUMO). These revisions include: rezoning for the Ephesus-Fordham area, Central West Small Area planning, a NC-DOT grant-funded bicycle plan, two development agreement negotiations (Glen Lennox and Obey Creek), the LUMO review, reconsideration of the Town's advisory board structure, and work on the Town's housing policies and community engagement practices. These efforts are anticipated to span several years, bringing the Town's community vision, regulations, and policies into closer alignment.

As part of a comprehensive effort to encourage growth and redevelopment in an area of Town where commercial activity has stagnated, the Town has initiated the Ephesus Fordham District Renewal Project. Beginning in 2010 the Town began work on a Small Area Plan (SAP) for the district that would encourage redevelopment and improve transportation related issues.

The Plan, which was adopted in June 2011, set forth a number of implementation goals to help improve overall conditions in the area. Using the SAP as a guide, comprehensive rezoning of the district was adopted in May of 2014. This includes the creation of a new Redevelopment Zoning District. In order to remediate conditions that create barriers to redevelopment the Town has committed to making public improvements in the area that include \$8.8 million of roadway improvements and \$1.2 million of stormwater improvements.

The Town combined the financing of the \$10 million of Ephesus Fordham public improvements with other capital projects including a major renovation of Town Hall. The Ephesus Fordham

portion of the financing amount will be issued in two parts, the first part in the amount of \$4,394,000 was issued in FY16.

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

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The dedication of a portion of the tax rate to debt service in FY 2009, along with the opportunity to pay off existing debt during the delay in issuing the remainder of the authorized general obligation bonds, allowed the Debt Fund to meet debt service needs from fund balance. Although the issuance of the final 2003 bonds brought debt service costs temporarily above the established guideline of 12% of general fund expenditures, debt service is expected to fall below 12% by 2017-18.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2016-17 budget, with the allocation of fund balance for Other Post Employment Benefits (OPEB) and for capital projects.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chapel Hill for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2016-17. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required

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

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

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

Respectfully submitted,

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

Roger L. Stancil
Town Manager

A handwritten signature in blue ink, appearing to read 'K. Pennoyer', with a long horizontal flourish extending to the right.

Kenneth C. Pennoyer
Business Management Director



Government Finance Officers Association

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

Presented to

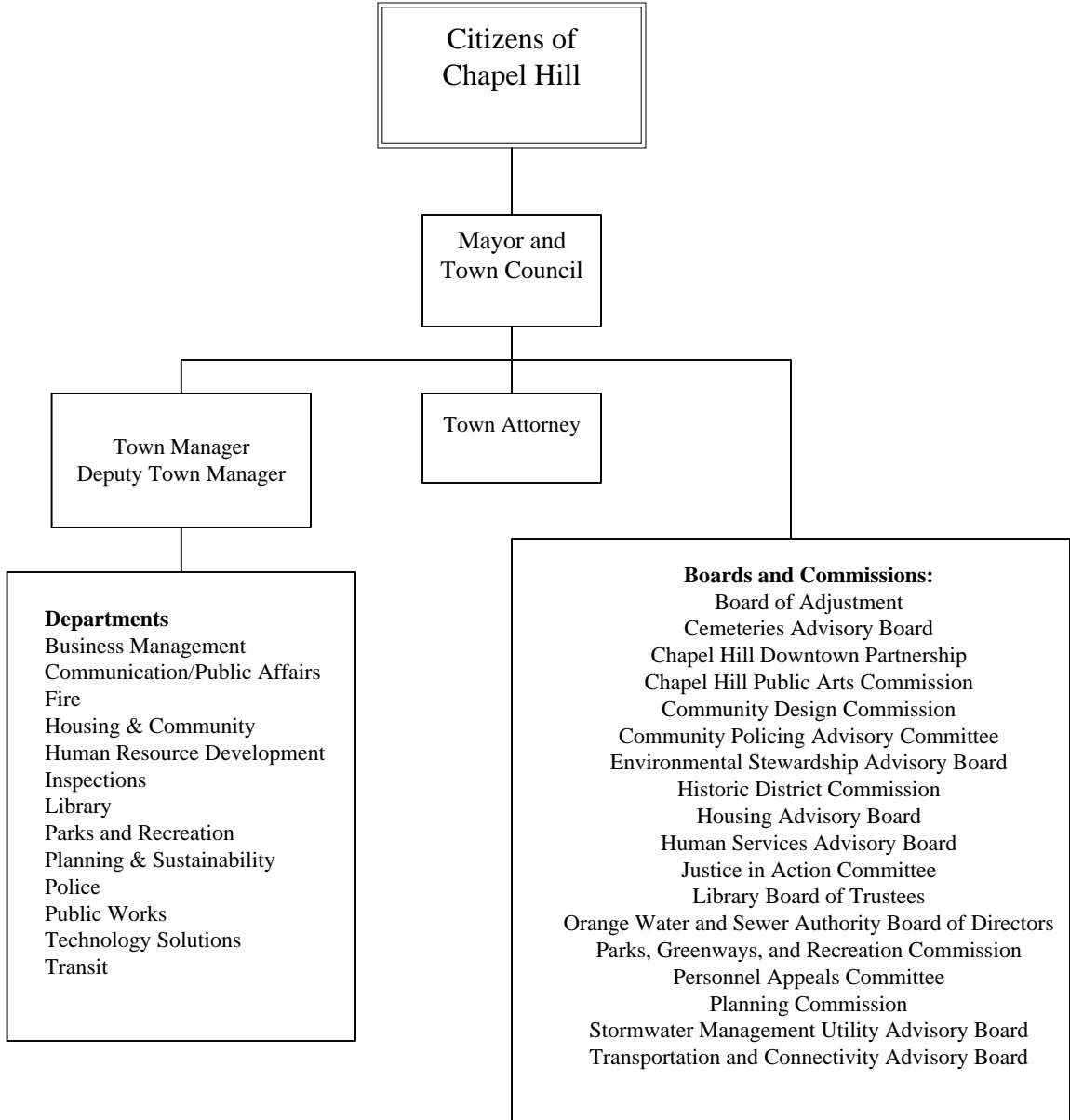
**Town of Chapel Hill
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATION CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2017
MEMBERS OF THE GOVERNING BODY**

Mayor

Pam Hemminger

Mayor pro tem

Donna Bell

Council Members

Jessica Anderson

George Cianciolo

Ed Harrison

Nancy Oates

Maria Palmer

Michael Parker

Sally Greene

Administrative and Financial Staff

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note O to the financial statements, for fiscal year ending June 30, 2017 the Town of Chapel Hill adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. The Town also implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the Healthcare Benefit Plan. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Other Postemployment Benefit's Schedules of Changes in the Net OPEB Liability and Related Ratios, Town Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapel Hill's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary schedules, other schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* the State Single Audit Implementation Act and is also not a required part of the basic financial statements.

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

The introductory section and statistical tables have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 on our consideration of the Town of Chapel Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chapel Hill's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chapel Hill's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 30, 2017

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Management's Discussion and Analysis

Our discussion is intended as an overview of the financial performance of the Town of Chapel Hill for the fiscal year ended June 30, 2017. 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 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

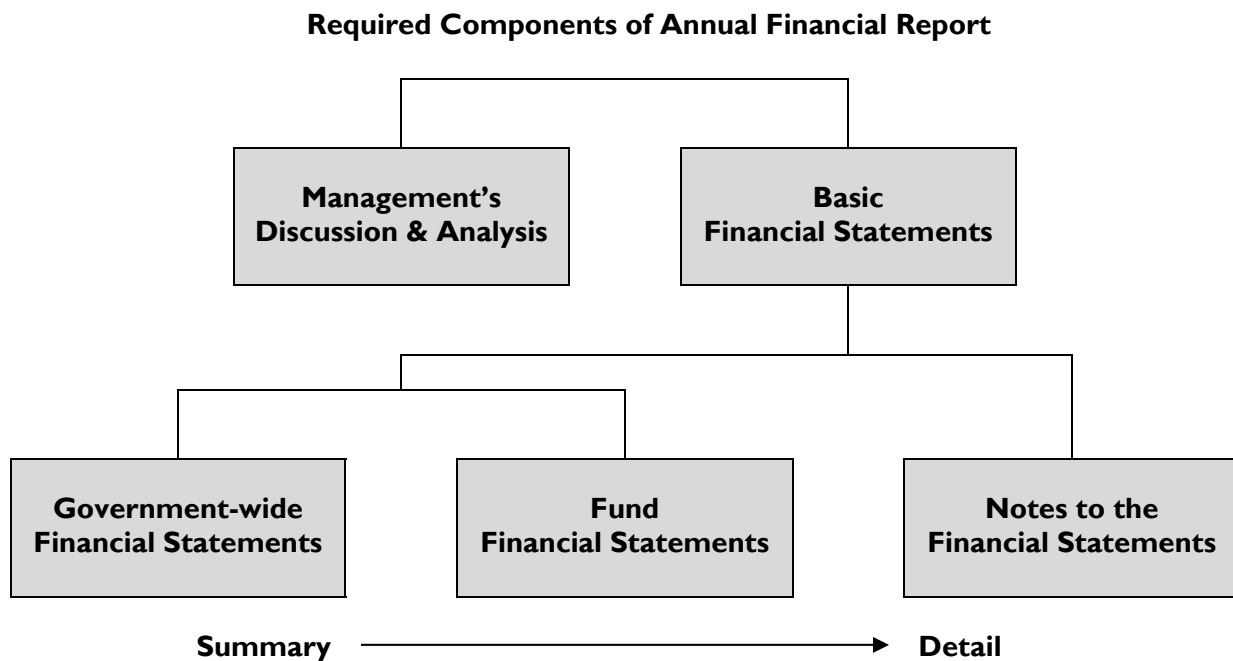
Highlights of the Town's fiscal year ended June 30, 2017, include:

- 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 \$139.3 million (net position.)
- The government's total net position decreased by about \$3.8 million, the net of a \$1.9 million decrease in governmental activities net position and a \$1.9 million decrease in business-type activities net position.
- There was no tax increase in the current year. As a result of the planned use of FY 2016 excess fund balance of \$3.6 million for the purchase of the American Legion property, the establishment of the OPEB trust of \$2.9 million, and with the transfer out of \$1.645 million for the establishment of the Affordable Housing Development Reserve Fund, the general fund budget had a decrease in net position of about \$8.2 million.
- At June 30, 2017, total net position of \$139.3 million represents capital assets and restricted net position which has been reserved for specific purposes, with a negative remaining balance of (\$4.2) million that is unrestricted. Restrictions for Stabilization by State Statue accounts for \$16.6 million of net position, largely representing bond and capital funds (\$5.3 million) and debt fund (\$2.4 million) and outstanding purchase orders for ongoing Town operating costs (\$3.3 million.)
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$51.4 million, a decrease of \$4.3 million in comparison with the prior year.

Management's Discussion and Analysis

- Unassigned fund balance of the General Fund (totaling approximately \$13.7 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 \$30.8 million to \$123.2 million as a result of a general obligation bond issuance for \$9 million, a 2/3 bond issuance for \$1.46 million, a new installment note payable for transit in the amount of \$6.408 million and the annual increase to other-post employment benefits.
- Property taxes supported 52% of the governmental services to citizens and the community in fiscal year 2017.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements



Basic Financial Statements

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

Management's Discussion and Analysis

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

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

Government-wide Financial Statements

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

The statement of net 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.

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.

Management's Discussion and Analysis

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

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 39 through 83 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 85 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, 2017 (as shown in Exhibit 1) with comparative data from June 30, 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 58,879,944	\$ 64,875,161	\$ 22,020,365	\$ 20,057,451	\$ 80,900,309	\$ 84,932,612
Capital assets	129,259,355	116,491,949	47,315,951	43,422,690	176,575,306	159,914,639
Total assets	188,139,299	181,367,110	69,336,316	63,480,141	257,475,615	244,847,251
Total deferred outflows of resources	7,814,740	1,727,443	3,298,729	755,641	11,113,469	2,483,084
Current liabilities	14,591,650	12,801,658	2,376,204	1,793,524	16,967,854	14,595,182
Non-current liabilities	91,512,866	73,689,955	20,202,493	10,167,459	111,715,359	83,857,414
Total liabilities	106,104,516	86,491,613	22,578,697	11,960,983	128,683,213	98,452,596
Deferred inflows of resources	343,426	1,038,443	271,397	553,949	614,823	1,592,392
Net position:						
Net investment in capital assets	75,389,626	67,839,566	47,315,951	43,422,690	122,705,577	111,262,256
Restricted for:						
Stabilization by State Statute	16,611,500	23,199,815	-	-	16,611,500	23,199,815
Capital projects	2,258,513	6,313,861	-	-	2,258,513	6,313,861
Public housing	124,771	129,839	-	-	124,771	129,839
Other functions	1,759,873	278,081	-	-	1,759,873	278,081
Unrestricted	(6,638,186)	(2,196,665)	2,469,000	8,298,160	(4,169,186)	6,101,495
Total net position	\$ 89,506,097	\$ 95,564,497	\$ 49,784,951	\$ 51,720,850	\$ 139,291,048	\$ 147,285,347

The assets and deferred outflow of resources of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$139.3 million as of June 30, 2017. The Town's net position decreased by a total of \$8.0 million (4.2 million for the change in net position for FY 2017, the net of a \$1.9 million decrease in governmental activities and a \$1.9 million decrease in business-type activities and \$4.1 million for the restatement as a result of the implementation of GASB 73).

The largest portion (88%) of net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related outstanding debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chapel Hill's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

A large portion of the Town of Chapel Hill's net position (about \$20.8 million) represents resources that are subject to external restrictions on how they may be used, leaving a remaining negative balance of (\$4.2) million in unrestricted net position.

Management's Discussion and Analysis

The Town of Chapel Hill implemented GASB Statement 73 this year. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$4,126,944.

The Town also implemented GASB Statement 74 this year. The implementation of the statement required the Town to disclose information related to the Other Postemployment Benefit for healthcare benefits that the Town has set aside in an established OPEB trust.

The Town of Chapel Hill implemented GASB Statement 68 in FY 2015. Under this statement, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset (liability), deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the plan, not the Town's management.

Governmental activities. Governmental activities show a decrease in net position of about \$1.9 million.

Business-type activities: Business-type activities show a decrease in net position of about \$1.9 million. The Transit fund had a \$1.3 million decrease in net position as a result of the anticipated purchase of two buses from fund balance and a reduction in the amount of federal grants received. The Parking Facilities Fund had a \$196,000 decrease as a result of lower than expected parking fee collections. The Stormwater Management Fund which increased \$122,000 in net position had operations that remained fairly steady. The Housing Operating Fund had an anticipated decrease in net position of \$556,000 as a result of larger maintenance and repairs projects on the housing units.

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2017, with comparative data for June 30, 2016.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 6,841,736	\$ 6,509,097	\$ 7,078,323	\$ 7,132,484	\$ 13,920,059	\$ 13,641,581
Operating grants and contributions	4,166,957	3,970,825	17,756,357	14,218,338	21,923,314	18,189,163
Capital grants and contributions	1,487,884	960,952	98,334	59,118	1,586,218	1,020,070
General revenues:						
Taxes	49,883,531	49,340,902	3,835,838	3,842,964	53,719,369	53,183,866
Grants and contributions not restricted to specific programs	5,236,898	5,435,534	-	-	5,236,898	5,435,534
Investment earnings	92,371	56,872	34,592	19,812	126,963	76,684
Other	2,685,239	1,381,867	54,891	112,634	2,740,130	1,494,501
Total revenues	70,394,616	67,656,049	28,858,335	25,385,350	99,252,951	93,041,399
Expenses:						
General government	14,470,841	11,336,963	-	-	14,470,841	11,336,963
Environment and development	22,928,377	21,105,842	-	-	22,928,377	21,105,842
Public safety	21,302,314	21,565,795	-	-	21,302,314	21,565,795
Leisure activities	12,526,906	12,324,889	-	-	12,526,906	12,324,889
Interest expense	2,025,209	2,007,653	-	-	2,025,209	2,007,653
Transportation	-	-	23,389,971	22,264,181	23,389,971	22,264,181
Parking facilities	-	-	1,830,551	1,708,178	1,830,551	1,708,178
Stormwater management	-	-	2,185,428	2,113,562	2,185,428	2,113,562
Housing operations	-	-	2,460,709	2,616,234	2,460,709	2,616,234
Total expenses	73,253,647	68,341,142	29,866,659	28,702,155	103,120,306	97,043,297
Increase (decrease) in net position before transfers	(2,859,031)	(685,093)	(1,008,324)	(3,316,805)	(3,867,355)	(4,001,898)
Transfers	927,575	907,756	(927,575)	(907,756)	-	-
Increase (decrease) in net position	(1,931,456)	222,663	(1,935,899)	(4,224,561)	(3,867,355)	(4,001,898)
Net position, July 1	95,564,497	95,341,834	51,720,850	55,945,411	147,285,347	151,287,245
Restatement (See Note O)	(4,126,944)	-	-	-	(4,126,944)	-
Net position, July 1, as restated	91,437,553	95,341,834	51,720,850	55,945,411	143,158,403	151,287,245
Net position, June 30	\$ 89,506,097	\$ 95,564,497	\$ 49,784,951	\$ 51,720,850	\$ 139,291,048	\$ 147,285,347

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.

Management's Discussion and Analysis

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

At June 30, 2017, the governmental funds of Chapel Hill reported a combined fund balance of about \$51.4 million, a decrease of \$4.3 million or 7.7% from last year. This change is largely the result of the net of the anticipated use of \$8.2 million in fund balance in the General Fund and new general obligation bond issuances of about \$10.64 million in February 2017 in the Capital Projects Ordinance Fund.

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 \$13.5 million, with total fund balance of \$24.5 million. The fund balance available for appropriation according to the statutory calculation is 25.2% of expenditures for FY17, and the Town Council target requires that we maintain at least a fund balance of 22% of expenditures in case of unforeseen needs. Unassigned fund balance represents 20.2%, and total fund balance, which includes reserves and designated amounts, represents 36.2% of total 2016-17 General Fund expenditures and other uses, respectively. The total fund balance decreased by about \$8.2 million.

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 increase in fund balance of \$433,000.

The Capital Projects Ordinance Fund reflects a \$1.9 million increase in fund balance, representing the net result of the new general obligation bond issuance of \$10.46 million.

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

Conservative budgeting principles resulted in actual revenues coming in relatively close to budget estimates, with a difference of only \$913,000 less than budgeted. About half of the difference was in planning and inspection permit fees and the other half was in intergovernmental revenues from utility franchise tax receipts.

Expenditures were about \$5.0 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2016-17, reducing the requirements for road clearing, debris cleanup and heating of buildings. In addition to efforts to curtail spending through the delayed hiring of open positions and other cost-cutting measures about \$3.3 million represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$1.8 million for the Transit Fund, \$2.2 million for the Housing Operating Fund and \$1.6 million for the Stormwater Management Fund. The Parking Facilities Fund shows a deficit

Management's Discussion and Analysis

in unrestricted net position of \$3.1 million with \$3.4 million invested in capital assets, net of related debt. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

Capital Asset and Debt Administration

Capital assets. Figure 4 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, 2017, capital assets totaled \$176.6 million compared with \$159.9 million in the prior fiscal year, with the overall increase the result of bond funded capital projects for streets and sidewalks, trails and greenways and other parks projects. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
	Land	\$ 36,853,336	\$ 27,328,900	\$ 6,962,311	\$ 6,962,311	\$ 43,815,647
Easements	219,123	208,123	-	-	219,123	208,123
Land improvements	15,544,631	15,639,380	2,619,752	2,877,528	18,164,383	18,516,908
Infrastructure	9,130,167	9,626,606	-	-	9,130,167	9,626,606
Buildings and building improvements	43,650,963	46,503,459	16,939,782	18,289,361	60,590,745	64,792,820
Equipment	2,641,747	3,058,485	465,410	295,192	3,107,157	3,353,677
Vehicles	5,447,818	4,614,214	19,216,187	14,524,429	24,664,005	19,138,643
Construction in progress	15,771,570	9,512,782	1,112,509	473,869	16,884,079	9,986,651
Total	\$ 129,259,355	\$ 116,491,949	\$ 47,315,951	\$ 43,422,690	\$ 176,575,306	\$ 159,914,639

Additional information on the Town's capital assets can be found in Note E, Capital Assets beginning on page 55 of the Basic Financial Statements

Long-term Debt. As shown in Figure 5, as of June 30, 2017 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$31,741,000. The Town also had \$18,045,000 of debt in limited obligation bonds to refund certificates of participation for funding construction of the Town Operations Center and construction of the Wallace Parking Deck, to refund installment notes for parks construction projects and to fund Parking projects and renovations to the Town Operations Center. In order to sustain the Town's bus fleet, the Town borrowed \$6.408 million in an installment financing for the purchase of 14 buses. Total debt of about \$123 million includes the addition of the total pension liability totaling \$4.8 million for the law enforcement special separation allowance as required by GASB 73 and other postemployment benefits totaling \$30.6 million as required

Management's Discussion and Analysis

by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 70 of the Notes to the Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 31,741,000	\$ 23,472,000	\$ -	\$ -	\$ 31,741,000	\$ 23,472,000
Limited obligation bonds	18,045,000	20,210,000	-	-	18,045,000	20,210,000
Installment notes payable	15,351,269	12,592,753	6,408,000	-	21,759,269	12,592,753
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Total pension liability for LEOSSA	4,798,949	415,060	-	-	4,798,949	415,060
Net pension liability for LGERS	8,971,892	1,975,867	3,732,830	734,535	12,704,722	2,710,402
Compensated absences	2,819,070	2,724,530	637,133	603,015	3,456,203	3,327,545
Other postemployment benefits	19,966,200	20,038,013	10,616,460	9,428,935	30,582,660	29,466,948
Total	\$101,816,526	\$ 81,551,369	\$ 21,394,423	\$ 10,766,485	\$123,210,949	\$ 92,317,854

The Town's total debt from governmental activities increased by \$20.3 million or 25%, to \$101.8 million during the past fiscal year. The increase represents the addition of general obligation bonds for \$10.46 million to fund various capital fund projects, the annual increase in other post-employment benefits, total pension liability for LEOSSA and the net pension liability for LGERS. These amounts were offset by the payments made during the year toward general obligation bonds and limited obligation bonds and other debt.

Business-type debt increased by about \$10.6 million to \$21.4 million, as a result of \$6.408 million installment note payable, the addition to post-employment benefits and net pension liability for LGERS.

As mentioned in the financial highlights section of this document, at June 30, 2017 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 February 2017, the Town also issued \$1.46 million in 2/3 bonds for the purchase of a fire truck and radios.

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 \$540 million, well above the town's

Management's Discussion and Analysis

outstanding debt for general obligation bonds of approximately \$31.7 million plus the \$31.3 million authorized but unissued, which combined is about 10.5% 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 60 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Chapel Hill had an unemployment rate of about 4.6% at June 30, 2017, only slightly above the state average of 4.2%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities:

General Fund revenues budgeted for FY18 total \$63.5 million, including the use of \$2.7 million in fund balance. Orange County completed a property revaluation in 2017. The last revaluation was eight years prior in 2009. The Town adopted the revenue neutral tax rate of 50.8 cents a decrease of 1.6 cents from the prior rate of 52.4 cents. The breakdown for 2017-2018 in cents per \$100 valuation is broken down as follows: General Fund 37.6 cents, Debt Service Fund 8.2 cents and Transit Fund 5.0 cents.

Sales taxes are budgeted at \$13.7 million, a 6.0% increase from 2016-17's budget as we anticipate a continuation of economic growth. Other General Fund revenues remain relatively flat.

General Fund expenditures of \$63.5 million represent a 0.8% increase from the budget for 2016-17. The goals of the budget for 2017-18 were to retaining core services, to retain employees and to reduce the use of fund balance to achieve a more sustainable budget as the economic recovery is expected to continue. The budget maintains service levels but includes an 12% increase in medical insurance costs and a slight increase in the employer's contribution to the Local Government Employees Retirement System. The budget also includes funding for a 2.5% raise in July 2017 in employee pay.

The pay-go allocation for capital improvements, remained steady at \$778,000, to allow for capital maintenance and some facility improvements.

Debt service costs in 2017-18 are budgeted at \$7.5 million, with a \$15,000 appropriation of fund balance needed, while sequestration slightly reduced the interest rate subsidy for Build America Bonds the Town continues to receive an interest subsidy of \$170,000 to recoup some of the expense. The Debt Service tax rate of 8.2 cents per \$100 in valuation is expected to generate about \$6.4 million.

Other governmental activities budgeted for 2017-18 reflect a continuation of existing service levels in keeping with the budget goals for FY18.

Management's Discussion and Analysis

Business-type Activities:

The Transit Fund's 2017-18 budget of \$22.9 million continues the fare-free system with an increase in contributions from the system partners, the University of North Carolina and Town of Carrboro. The Transit Fund's tax rate of 5.0 cents per \$100 in valuation is expected to generate about \$3.9 million. The Transit budget includes \$1.7 million in new vehicles fee revenue levied by Orange County. Overall the Transit budget increased 12.3% over the 2016-17 budget.

The Parking Facilities Fund budget decreased 0.9% overall from 2016-17 based on cost cutting measures put into place to help manage the parking lots.

Housing Operating revenues reflect a decrease in HUD contributions of 12.4% and an increase in rental income of 5.4%. Planned usage of fund balance in the amount of \$355,000 was budgeted for capital repairs at several of the housing units.

Stormwater Management's budget for 2018 includes an increase to their fee of \$2.50 for debt service and \$3.50 to improve the sustainability of the fund for a total fee of \$32.15 for each 1,000 square feet of impervious surface. Therefore their revenues are anticipated to increase \$500,000 or 23% from the 2016-17 budget. Expenditures include funding for several capital projects.

Requests for Information

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 36,034,538	\$ 14,073,062	\$ 50,107,600	\$ 25,782,665
Taxes receivable, net	154,317	15,246	169,563	-
Accounts receivable, net	544,454	494,325	1,038,779	5,183,477
Due from other governments	6,844,227	2,428,626	9,272,853	-
Internal balances	2,555,969	(2,555,969)	-	-
Inventories	78,969	1,031,387	1,110,356	1,046,669
Prepaid items	76,121	16,319	92,440	249,466
Restricted cash and cash equivalents	-	6,517,369	6,517,369	7,176,875
Total current assets	<u>46,288,595</u>	<u>22,020,365</u>	<u>68,308,960</u>	<u>39,439,152</u>
Non-current assets:				
Restricted cash and cash equivalents	12,591,349	-	12,591,349	171,013
Capital assets (Note E):				
Land and construction in progress	52,844,029	8,074,820	60,918,849	45,668,275
Other capital assets, net of accumulated depreciation	76,415,326	39,241,131	115,656,457	260,126,247
Total capital assets	<u>129,259,355</u>	<u>47,315,951</u>	<u>176,575,306</u>	<u>305,794,522</u>
Total non-current assets	<u>141,850,704</u>	<u>47,315,951</u>	<u>189,166,655</u>	<u>305,965,535</u>
Total assets	<u>188,139,299</u>	<u>69,336,316</u>	<u>257,475,615</u>	<u>345,404,687</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current year	2,121,660	858,838	2,980,498	598,984
Pension deferrals	5,693,080	2,439,891	8,132,971	1,817,261
Deferred charge on refunding	-	-	-	1,710,448
Total deferred outflows of resources	<u>7,814,740</u>	<u>3,298,729</u>	<u>11,113,469</u>	<u>4,126,693</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,877,769	1,010,577	3,888,346	2,741,913
Other liabilities	-	64,328	64,328	-
Liabilities payable from restricted assets	1,410,221	109,369	1,519,590	2,378,749
Current portion of long-term liabilities	10,303,660	1,191,930	11,495,590	6,112,913
Total current liabilities	<u>14,591,650</u>	<u>2,376,204</u>	<u>16,967,854</u>	<u>11,233,575</u>
Non-current liabilities:				
Net pension liability (LGRS)	8,971,892	3,732,830	12,704,722	2,733,991
Total pension liability (LEOSSA)	4,798,949	-	4,798,949	-
Due in more than one year	77,742,025	16,469,663	94,211,688	71,807,965
Total non-current liabilities	<u>91,512,866</u>	<u>20,202,493</u>	<u>111,715,359</u>	<u>74,541,956</u>
Total liabilities	<u>106,104,516</u>	<u>22,578,697</u>	<u>128,683,213</u>	<u>85,775,531</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	277	-	277	-
Deferrals of pension expense	343,149	271,397	614,546	95,802
Total deferred inflows of resources	<u>343,426</u>	<u>271,397</u>	<u>614,823</u>	<u>95,802</u>
NET POSITION				
Net investment in capital assets	75,389,626	47,315,951	122,705,577	236,928,712
Restricted for:				
Stabilization by State Statute	16,611,500	-	16,611,500	-
Capital projects	2,258,513	-	2,258,513	-
Public housing	124,771	-	124,771	-
Other functions	1,759,873	-	1,759,873	-
Water and sewer	-	-	-	171,013
Unrestricted	<u>(6,638,186)</u>	<u>2,469,000</u>	<u>(4,169,186)</u>	<u>26,560,322</u>
Total net position	<u>\$ 89,506,097</u>	<u>\$ 49,784,951</u>	<u>\$ 139,291,048</u>	<u>\$ 263,660,047</u>

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 14,470,841	\$ 1,776,434	\$ -	\$ -	(12,694,407)	\$ -	(12,694,407)	\$ -
Environment and development	22,928,377	3,409,760	2,148,374	525,538	(16,844,705)	-	(16,844,705)	-
Public safety	21,302,314	534,893	1,245,009	559,365	(18,963,047)	-	(18,963,047)	-
Leisure activities	12,526,906	1,120,649	773,574	402,981	(10,229,702)	-	(10,229,702)	-
Interest expense	2,025,209	-	-	-	(2,025,209)	-	(2,025,209)	-
Total governmental activities	73,253,647	6,841,736	4,166,957	1,487,884	(60,757,070)	-	(60,757,070)	-
Business-type activities:								
Transportation	23,389,971	1,295,107	16,799,895	98,334	-	(5,196,635)	(5,196,635)	-
Parking Facilities	1,830,551	2,541,380	-	-	-	710,829	710,829	-
Housing Operations	2,460,709	944,681	956,462	-	-	(559,566)	(559,566)	-
Stormwater Management	2,185,428	2,297,155	-	-	-	111,727	111,727	-
Total business-type activities	29,866,659	7,078,323	17,756,357	98,334	-	(4,933,645)	(4,933,645)	-
Total primary government	103,120,306	13,920,059	21,923,314	1,586,218	(60,757,070)	(4,933,645)	(65,690,715)	-
Component unit - Orange Water and Sewer Authority	\$ 32,243,695	\$ 35,740,394	\$ -	\$ 2,363,076	-	-	-	5,859,775
General revenues:								
Property taxes					35,944,762	3,835,838	39,780,600	-
Sales tax					12,673,856	-	12,673,856	-
Occupancy tax					1,187,510	-	1,187,510	-
Other taxes					77,403	-	77,403	-
Grants and contributions not restricted to specific programs:								
Intergovernmental					5,236,898	-	5,236,898	-
Investment earnings					92,371	34,592	126,963	32,802
Miscellaneous					2,685,239	54,891	2,740,130	3,209,266
Total general revenues not including transfers and proceeds					57,898,039	3,925,321	61,823,360	3,242,068
Transfers					927,575	(927,575)	-	-
Total general revenues and transfers					58,825,614	2,997,746	61,823,360	3,242,068
Change in net position					(1,931,456)	(1,935,899)	(3,867,355)	9,101,843
Net position, beginning, previously reported					95,564,497	51,720,850	147,285,347	254,558,204
Restatement					(4,126,944)	-	(4,126,944)	-
Net position - beginning, restated					91,437,553	51,720,850	143,158,403	254,558,204
Net position - ending					\$ 89,506,097	\$ 49,784,951	\$ 139,291,048	\$ 263,660,047

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

MAJOR FUNDS

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

GOVERNMENTAL FUNDS

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

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

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

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

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

BUSINESS-TYPE FUNDS

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

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

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

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

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

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, 2017

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 20,803,502	\$ 4,623,523	\$ 2,678,852	\$ 4,808,673	\$ 32,914,550
Receivables:					
Due from other funds	135,385	2,425,000	-	-	2,560,385
Property taxes, net	123,229	25,416	-	5,672	154,317
Governmental units and agencies	5,512,890	-	892,817	438,520	6,844,227
Other	500,566	-	8,300	16,991	525,857
Inventories	1,697	-	-	16,538	18,235
Prepaid items	76,121	-	-	-	76,121
Restricted cash and equivalents	498,575	-	11,390,686	702,088	12,591,349
TOTAL ASSETS	\$ 27,651,965	\$ 7,073,939	\$ 14,970,655	\$ 5,988,482	\$ 55,685,041
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 4,416	\$ 4,416
Accounts payable	1,320,002	-	-	195,278	1,515,280
Accrued liabilities	1,028,004	-	-	8,119	1,036,123
Accounts payable from restricted assets	168,010	-	679,489	94,898	942,397
Other payables from restricted assets	330,565	-	-	137,259	467,824
Total liabilities	2,846,581	-	679,489	439,970	3,966,040
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	123,229	25,416	-	5,672	154,317
Fees and charges receivable	171,906	-	-	-	171,906
Prepaid taxes	277	-	-	-	277
Total deferred inflows of resources	295,412	25,416	-	5,672	326,500

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Nonspendable					
Inventories	\$ 1,697	\$ -	\$ -	\$ 16,538	\$ 18,235
Prepaid items	76,121	-	-	-	76,121
Restricted					
Stabilization by State Statute	7,234,759	2,425,000	5,331,838	1,619,903	16,611,500
Parks capital projects	46,899	-	7,467,623	-	7,514,522
Streets capital projects	382,723	-	2,009,609	-	2,392,332
Municipal buildings projects	-	-	3,172,394	-	3,172,394
Public housing	-	-	-	124,771	124,771
Public safety	147,578	-	1,583,140	29,155	1,759,873
Transit capital purchases	-	-	-	16,926	16,926
Infrastructure capital projects	-	-	-	215,525	215,525
Library	-	-	21,841	315,659	337,500
Committed					
Debt service payments	-	7,048,523	-	-	7,048,523
Municipal buildings projects	-	-	-	129,969	129,969
Infrastructure capital projects	-	-	-	115,000	115,000
Parks capital projects	-	-	-	166,572	166,572
Technology capital projects	-	-	25,202	400,000	425,202
Fire capital projects	-	-	-	1,013,367	1,013,367
Public housing	-	-	-	1,929,871	1,929,871
Economic development	-	-	11,357	104,112	115,469
Assigned					
Subsequent year's expenditures	2,684,006	-	-	-	2,684,006
Parks capital projects	-	-	-	296,962	296,962
Workforce Development	111,281	-	-	-	111,281
Municipal buildings projects	-	-	-	259,633	259,633
Economic development	163,246	-	-	-	163,246
Unassigned	13,661,662	(2,425,000)	(5,331,838)	(1,211,123)	4,693,701
Total fund balances	<u>24,509,972</u>	<u>7,048,523</u>	<u>14,291,166</u>	<u>5,542,840</u>	<u>51,392,501</u>
TOTAL LIABILITIES, DEFERRED					
INFLOWS AND FUND BALANCES	<u>\$ 27,651,965</u>	<u>\$ 7,073,939</u>	<u>\$ 14,970,655</u>	<u>\$ 5,988,482</u>	<u>\$ 55,685,041</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, 2017

Fund balances - total governmental funds		\$ 51,392,501
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	208,813,317	
Less accumulated depreciation	<u>83,639,773</u>	125,173,544
<p>Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Governmental bonds payable, limited obligation bonds, and installment purchases	(63,791,000)	
Other postemployment benefits	(19,577,080)	
Orange County loan payable	(123,146)	
Accrued vacation payable	(2,787,452)	
Net pension liability (LGERS)	(8,852,060)	
Total pension liability (LEO)	<u>(4,798,949)</u>	(99,929,687)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,934,983
Pension related deferrals		5,291,673
Benefit payment and pension administration costs for LEOSSA are deferred outflows of resources		153,425
Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.		326,223
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds</p>		
The assets and liabilities of the internal service funds that are reported within governmental activities		<u>5,163,435</u>
Net position of governmental activities		<u>\$ 89,506,097</u>

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
REVENUES					
Taxes	\$ 43,212,056	\$ 6,393,213	\$ -	\$ 278,262	\$ 49,883,531
Licenses and permits	2,485,929	-	-	-	2,485,929
Fines and forfeitures	61,116	-	-	-	61,116
Intergovernmental revenues					
Federal government	-	170,005	710,750	995,117	1,875,872
State government	7,895,891	-	165,831	111,298	8,173,020
Other	661,399	-	-	181,448	842,847
Charges for services	4,190,130	-	-	-	4,190,130
Interest on investments	39,099	16,173	32,396	4,703	92,371
Franchise rental fees	-	-	-	57,963	57,963
Program income	-	-	-	46,598	46,598
Donations	58,906	-	-	334,124	393,030
Revenue in lieu	44,491	-	101,318	597,309	743,118
Mutual aid reimbursements	539,310	-	-	-	539,310
Insurance recovery	55,356	-	-	-	55,356
Other	209,706	-	16,591	7,644	233,941
Total revenues	59,453,389	6,579,391	1,026,886	2,614,466	69,674,132
EXPENDITURES					
General government	14,147,529	-	-	-	14,147,529
Environment and development	17,076,637	-	-	1,701,479	18,778,116
Public safety	20,546,434	-	-	99,042	20,645,476
Leisure activities	9,799,053	-	-	224,900	10,023,953
Capital projects	-	-	18,001,898	1,723,389	19,725,287
Debt service:					
Principal	-	5,030,000	-	-	5,030,000
Interest and fiscal charges	-	2,025,209	-	-	2,025,209
Total expenditures	61,569,653	7,055,209	18,001,898	3,748,810	90,375,570
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,116,264)	(475,818)	(16,975,012)	(1,134,344)	(20,701,438)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	14,760,000	-	14,760,000
Bond issuance costs	-	-	720,484	-	720,484
Transfer from other funds	45,000	908,831	4,101,025	3,232,413	8,287,269
Transfer to other funds	(6,162,544)	-	(702,150)	(495,000)	(7,359,694)
Total other financing sources (uses)	(6,117,544)	908,831	18,879,359	2,737,413	16,408,059
NET CHANGE IN TOTAL FUND BALANCES	(8,233,808)	433,013	1,904,347	1,603,069	(4,293,379)
FUND BALANCES, BEGINNING	32,743,780	6,615,510	12,386,819	3,939,771	55,685,880
FUND BALANCES, ENDING	<u>\$ 24,509,972</u>	<u>\$ 7,048,523</u>	<u>\$ 14,291,166</u>	<u>\$ 5,542,840</u>	<u>\$ 51,392,501</u>

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

GOVERNMENTAL FUNDS

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

Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (4,293,379)

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	19,414,913	
Current year's depreciation	<u>6,940,413</u>	12,474,500

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

Principal payments		5,030,000
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The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net position.		(14,760,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds

Change in long-term compensated absences		(96,246)
Change in long-term separation allowance		(285,496)
Other postemployment benefits		99,177
Pension expense		(397,106)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		252,275
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		(153,425)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		122,307
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Internal service funds are used by management to charge the costs of certain activities to individual funds		<u>75,937</u>
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Change in net position of governmental activities		<u>\$ (1,931,456)</u>
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The notes to the financial statements are an integral part of this statement.

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 29,535,000	\$ 29,535,000	\$ 29,273,287	\$ (261,713)
Local option sales taxes	12,790,797	12,790,797	12,673,856	(116,941)
Other taxes	1,224,000	1,224,000	1,264,913	40,913
Licenses and permits	2,885,758	2,885,758	2,485,929	(399,829)
Fines and forfeitures	46,600	46,600	61,116	14,516
Intergovernmental revenues	8,879,204	8,898,704	8,557,290	(341,414)
Charges for services	4,186,136	4,186,136	4,190,130	3,994
Interest on investments	25,000	25,000	39,099	14,099
Other	714,955	774,408	907,769	133,361
TOTAL REVENUES	60,287,450	60,366,403	59,453,389	(913,014)
EXPENDITURES				
General government	12,494,344	14,668,274	14,147,529	520,745
Environment and development	16,848,036	18,507,998	17,076,637	1,431,361
Public safety	22,662,273	22,933,714	20,546,434	2,387,280
Leisure activities	10,174,215	10,450,333	9,799,053	651,280
Total expenditures	62,178,868	66,560,319	61,569,653	4,990,666
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,891,418)</u>	<u>(6,193,916)</u>	<u>(2,116,264)</u>	<u>4,077,652</u>
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	45,000	45,000	45,000	-
Transfer to other funds	(860,132)	(6,259,553)	(6,162,544)	97,009
Appropriated fund balance	2,706,550	12,408,469	-	(12,408,469)
Total other financing sources (uses)	1,891,418	6,193,916	(6,117,544)	(12,311,460)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(8,233,808)	\$ (8,233,808)
FUND BALANCE, BEGINNING			32,743,780	
FUND BALANCE, ENDING			\$ 24,509,972	

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, 2017 (With Comparative Totals as of June 30, 2016)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,692,898	\$ 30,093	\$ 3,181,169	\$ 2,168,902
Restricted cash and cash equivalents	6,408,000	-	79,194	30,175
Receivables:				
Accounts receivable, net	133,425	41,823	18,708	300,369
Due from other funds	-	-	-	-
Governmental units and agencies	2,426,312	-	-	2,314
Property taxes, net	15,246	-	-	-
Prepaid items	11,556	-	-	4,763
Inventories	987,420	-	43,967	-
Total current assets	<u>18,674,857</u>	<u>71,916</u>	<u>3,323,038</u>	<u>2,506,523</u>
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,161,115	2,000,673	813,495
Other capital assets, net of accumulated depreciation	30,447,831	275,418	7,690,199	827,683
Total capital assets, net	<u>32,547,368</u>	<u>3,436,533</u>	<u>9,690,872</u>	<u>1,641,178</u>
Total noncurrent assets	<u>32,547,368</u>	<u>3,436,533</u>	<u>9,690,872</u>	<u>1,641,178</u>
TOTAL ASSETS	<u>51,222,225</u>	<u>3,508,449</u>	<u>13,013,910</u>	<u>4,147,701</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension in current year	723,201	38,567	55,806	41,264
Pension deferrals	2,114,572	81,330	162,659	81,330
Total deferred outflows of resources	<u>2,837,773</u>	<u>119,897</u>	<u>218,465</u>	<u>122,594</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	515,795	93,445	34,200	65,178
Accrued liabilities	250,843	10,246	17,875	22,995
Deposits payable from restricted assets	-	-	79,194	30,175
Due to other funds	-	2,425,000	130,969	-
Compensated absences	489,339	36,975	49,602	56,014
Unearned revenue	64,328	-	-	-
Installment purchase agreements	560,000	-	-	-
Total current liabilities	<u>1,880,305</u>	<u>2,565,666</u>	<u>311,840</u>	<u>174,362</u>
NONCURRENT LIABILITIES				
Compensated absences	-	5,203	-	-
Other postemployment benefits	8,534,435	607,603	773,680	700,742
Net pension liability	3,257,305	112,136	255,159	108,230
Installment purchase agreements	5,848,000	-	-	-
Total noncurrent liabilities	<u>17,639,740</u>	<u>724,942</u>	<u>1,028,839</u>	<u>808,972</u>
Total liabilities	<u>19,520,045</u>	<u>3,290,608</u>	<u>1,340,679</u>	<u>983,334</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	169,748	42,015	8,007	51,627
NET POSITION				
Net investment in capital assets	32,547,368	3,436,533	9,690,872	1,641,178
Unrestricted	1,822,837	(3,140,810)	2,192,817	1,594,156
Total net position	<u>\$ 34,370,205</u>	<u>\$ 295,723</u>	<u>\$ 11,883,689</u>	<u>\$ 3,235,334</u>

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

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Enterprise Funds		Internal Service Funds	
	Comparative Totals		Comparative Totals	
	2017	2016	2017	2016
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 14,073,062	\$ 20,543,198	\$ 3,119,988	\$ 3,144,384
Restricted cash and cash equivalents	6,517,369	113,634	-	892,937
Receivables:				
Accounts receivable, net	494,325	543,230	18,597	17,304
Due from other funds	-	129,485	-	-
Governmental units and agencies	2,428,626	1,155,762	-	-
Property taxes, net	15,246	14,302	-	-
Prepaid items	16,319	299	-	-
Inventories	1,031,387	1,148,063	60,734	37,230
Total current assets	<u>24,576,334</u>	<u>23,647,973</u>	<u>3,199,319</u>	<u>4,091,855</u>
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	8,074,820	7,436,180	-	-
Other capital assets, net of accumulated depreciation	39,241,131	35,986,510	4,085,811	3,792,905
Total capital assets, net	<u>47,315,951</u>	<u>43,422,690</u>	<u>4,085,811</u>	<u>3,792,905</u>
Total noncurrent assets	<u>47,315,951</u>	<u>43,422,690</u>	<u>4,085,811</u>	<u>3,792,905</u>
TOTAL ASSETS	<u>71,892,285</u>	<u>67,070,663</u>	<u>7,285,130</u>	<u>7,884,760</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension in current year	858,838	755,641	33,252	29,812
Pension deferrals	2,439,891	-	81,330	-
Total deferred outflows of resources	<u>3,298,729</u>	<u>755,641</u>	<u>114,582</u>	<u>29,812</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	708,618	733,834	315,839	156,742
Accrued liabilities	301,959	307,171	10,527	9,120
Deposits payable from restricted assets	109,369	113,634	-	-
Due to other funds	2,555,969	3,590,522	-	-
Compensated absences	631,930	599,026	27,640	16,813
Unearned revenue	64,328	39,859	-	-
Installment purchase agreements	560,000	-	629,009	867,474
Total current liabilities	<u>4,932,173</u>	<u>5,384,046</u>	<u>983,015</u>	<u>1,050,149</u>
NONCURRENT LIABILITIES				
Compensated absences	5,203	3,989	3,978	16,511
Other postemployment benefits	10,616,460	9,428,935	389,120	361,756
Net pension liability	3,732,830	734,535	119,832	19,889
Installment purchase agreements	5,848,000	-	717,260	1,346,279
Total noncurrent liabilities	<u>20,202,493</u>	<u>10,167,459</u>	<u>1,230,190</u>	<u>1,744,435</u>
Total liabilities	<u>25,134,666</u>	<u>15,551,505</u>	<u>2,213,205</u>	<u>2,794,584</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	271,397	553,949	23,072	32,490
NET POSITION				
Net investment in capital assets	47,315,951	43,422,690	2,739,542	2,472,089
Unrestricted	2,469,000	8,298,160	2,423,893	2,615,409
Total net position	<u>\$ 49,784,951</u>	<u>\$ 51,720,850</u>	<u>\$ 5,163,435</u>	<u>\$ 5,087,498</u>

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, 2017 (With Comparative Totals as of June 30, 2016)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 845,073	\$ 2,541,380	\$ 944,681	\$ 2,297,155
OPERATING EXPENSES				
Personnel	13,392,222	868,114	939,293	1,272,378
Drainage maintenance	-	-	-	221,920
Depreciation and amortization	3,922,760	77,150	637,067	64,606
Fuel and tires	1,165,563	-	-	-
Indirect costs	1,125,692	80,230	-	113,859
Maintenance and repairs	-	100,073	477,953	-
Building maintenance	603,914	-	-	-
Vehicle maintenance	1,524,182	-	-	-
Utilities	-	-	169,857	-
Insurance	298,048	-	-	-
Advertising and marketing	94,455	-	-	-
Professional services	-	-	-	283,706
Contracted services	294,313	110,368	40,567	78,437
Tarheel Express	214,435	-	-	-
Uniforms and supplies	316,770	-	-	-
Credit card fees	-	103,175	-	-
Rent	-	240,965	-	57,155
Other	437,617	250,476	195,972	93,367
Total operating expenses	23,389,971	1,830,551	2,460,709	2,185,428
OPERATING INCOME (LOSS)	(22,544,898)	710,829	(1,516,028)	111,727
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	3,799,067	-	956,462	-
State Operating Assistance Grant	3,385,614	-	-	-
Local Operating Assistance Grant	-	-	-	-
Operating assistance-UNC Chapel Hill	7,231,584	-	-	-
Operating assistance-Town of Carrboro	1,455,012	-	-	-
Operating assistance - TTA Vehicle Fees	928,618	-	-	-
Vehicle licenses	450,034	-	-	-
Ad valorem taxes	3,835,838	-	-	-
Interest on investments	28,400	1,753	1,376	3,063
Insurance recovery	22,861	-	-	-
Interest expense	-	-	-	-
Gain on sale of capital assets	24,559	-	2,471	-
Revenue in lieu	5,000	-	-	-
Total nonoperating revenues (expenses), net	21,166,587	1,753	960,309	3,063
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	(1,378,311)	712,582	(555,719)	114,790
CAPITAL CONTRIBUTIONS				
	98,334	-	-	-
TRANSFERS				
Transfers in	-	-	-	6,984
Transfers out	(25,728)	(908,831)	-	-
Total transfers	(25,728)	(908,831)	-	6,984
CHANGE IN NET POSITION				
	(1,305,705)	(196,249)	(555,719)	121,774
NET POSITION, BEGINNING				
	35,675,910	491,972	12,439,408	3,113,560
NET POSITION, ENDING				
	\$ 34,370,205	\$ 295,723	\$ 11,883,689	\$ 3,235,334

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, 2017 (With Comparative Totals as of June 30, 2016)

	Enterprise Funds		Internal Service Funds	
	Comparative Totals		Comparative Totals	
	2017	2016	2017	2016
OPERATING REVENUES				
Charges for services	\$ 6,628,289	\$ 6,687,889	\$ 2,723,615	\$ 2,964,133
OPERATING EXPENSES				
Personnel	16,472,007	15,217,802	612,960	582,004
Drainage maintenance	221,920	179,761	-	-
Depreciation and amortization	4,701,583	4,408,937	1,216,111	1,163,253
Fuel and tires	1,165,563	1,495,534	-	-
Indirect costs	1,319,781	1,252,791	-	-
Maintenance and repairs	578,026	572,371	-	-
Building maintenance	603,914	645,985	-	-
Vehicle maintenance	1,524,182	1,673,024	-	-
Utilities	169,857	171,405	-	-
Insurance	298,048	308,204	-	-
Advertising and marketing	94,455	91,971	-	-
Professional services	283,706	463,822	-	-
Contracted services	523,685	686,111	-	-
Tarheel Express	214,435	216,681	-	-
Uniforms and supplies	316,770	100,853	-	-
Credit card fees	103,175	97,470	-	-
Rent	298,120	306,112	-	-
Other	977,432	813,321	919,184	977,081
Total operating expenses	29,866,659	28,702,155	2,748,255	2,722,338
OPERATING INCOME (LOSS)	(23,238,370)	(22,014,266)	(24,640)	241,795
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	4,755,529	1,477,002	-	-
State Operating Assistance Grant	3,385,614	2,996,737	-	-
Local Operating Assistance Grant	-	7,500	-	-
Operating assistance-UNC Chapel Hill	7,231,584	7,919,040	-	-
Operating assistance-Town of Carrboro	1,455,012	1,540,288	-	-
Operating assistance - TTA Vehicle Fees	928,618	277,771	-	-
Vehicle licenses	450,034	444,595	-	-
Ad valorem taxes	3,835,838	3,842,964	-	-
Interest on investments	34,592	19,812	4,911	5,900
Insurance recovery	22,861	37,943	19,194	19,247
Interest expense	-	-	(39,349)	(58,820)
Gain on sale of capital assets	27,030	40,891	115,821	43,247
Revenue in lieu	5,000	33,800	-	-
Total nonoperating revenues (expenses), net	22,131,712	18,638,343	100,577	9,574
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,106,658)	(3,375,923)	75,937	251,369
CAPITAL CONTRIBUTIONS	98,334	59,118	-	-
TRANSFERS				
Transfers in	6,984	41,000	-	-
Transfers out	(934,559)	(948,756)	-	-
Total transfers	(927,575)	(907,756)	-	-
CHANGE IN NET POSITION	(1,935,899)	(4,224,561)	75,937	251,369
NET POSITION, BEGINNING	51,720,850	55,945,411	5,087,498	4,836,129
NET POSITION, ENDING	\$ 49,784,951	\$ 51,720,850	\$ 5,163,435	\$ 5,087,498

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, 2017 (With Comparative Totals as of June 30, 2016)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 845,073	\$ 2,538,730	\$ 932,291	\$ 2,299,566
Payments to employees	(12,225,167)	(803,130)	(852,713)	(1,177,442)
Payments to suppliers	(6,959,066)	(2,060,988)	(795,404)	(923,778)
Net cash provided by (used in) operating activities	<u>(18,339,160)</u>	<u>(325,388)</u>	<u>(715,826)</u>	<u>198,346</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	7,184,681	-	956,462	-
Transit partner assistance received	9,615,214	-	-	-
Operating assistance received	-	-	-	-
Taxes and licenses received	4,285,872	-	-	-
Transfers to other funds	(25,728)	(908,831)	-	-
Transfers from other funds	-	-	-	6,984
Revenue in lieu received	5,000	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>21,065,039</u>	<u>(908,831)</u>	<u>956,462</u>	<u>6,984</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	6,408,000	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Proceeds from sale of capital assets	24,559	-	2,471	-
Proceeds from insurance recovery	22,861	-	-	-
Acquisition and construction of capital assets	(7,631,509)	(69,118)	(44,745)	(751,138)
Net cash provided by (used in) capital and related financing activities	<u>(1,176,089)</u>	<u>(69,118)</u>	<u>(42,274)</u>	<u>(751,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	28,400	1,753	1,376	3,063
Net cash provided by investing activities	<u>28,400</u>	<u>1,753</u>	<u>1,376</u>	<u>3,063</u>

Continued

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2017	2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 6,615,660	\$ 8,841,726	\$ 2,966,625	\$ 2,967,594
Payments to employees	(15,058,452)	(14,182,114)	(580,140)	(531,644)
Payments to suppliers	(10,739,236)	(9,289,688)	(1,027,894)	(1,405,379)
Net cash provided by (used in) operating activities	(19,182,028)	(14,630,076)	1,358,591	1,030,571
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	8,141,143	4,473,739	-	-
Transit partner assistance received	9,615,214	9,737,099	-	-
Operating assistance received	-	7,500	-	-
Taxes and licenses received	4,285,872	4,287,559	-	-
Transfers to other funds	(934,559)	(948,756)	-	-
Transfers from other funds	6,984	41,000	-	-
Revenue in lieu received	5,000	33,800	-	-
Net cash provided by (used in) noncapital financing activities	21,119,654	17,631,941	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	6,408,000	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	-	(867,484)	(848,013)
Interest paid on Certificates of Participation and installment purchase agreements	-	-	(39,349)	(58,820)
Proceeds from sale of capital assets	27,030	40,891	115,821	43,247
Proceeds from insurance recovery	22,861	37,943	19,194	19,247
Acquisition and construction of capital assets	(8,496,510)	(927,149)	(1,509,017)	(872,768)
Net cash provided by (used in) capital and related financing activities	(2,038,619)	(848,315)	(2,280,835)	(1,717,107)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	34,592	19,812	4,911	5,900
Net cash provided by investing activities	34,592	19,812	4,911	5,900

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,578,190	(1,301,584)	199,738	(542,745)
CASH AND INVESTMENTS, BEGINNING	13,522,708	1,331,677	3,060,625	2,741,822
CASH AND INVESTMENTS, ENDING	<u>\$ 15,100,898</u>	<u>\$ 30,093</u>	<u>\$ 3,260,363</u>	<u>\$ 2,199,077</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (22,544,898)	\$ 710,829	\$ (1,516,028)	\$ 111,727
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,922,760	77,150	637,067	64,606
Pension expense	149,635	5,755	11,510	5,755
Changes in assets and liabilities:				
Receivables	(1,087,054)	(2,650)	(8,125)	2,411
Prepaid items	(11,257)	-	-	(4,763)
Inventories	78,146	-	38,530	-
Due from other funds	-	(1,160,481)	125,928	-
Accounts payable	136,088	(15,220)	(75,513)	(70,571)
Accrued liabilities	25,104	(1,312)	(4,884)	349
Customer deposits	-	-	(4,265)	-
Accrued compensated absences	31,114	(1,689)	(714)	5,407
Accrued OPEB liability	961,202	62,230	80,668	83,425
(Increase) decrease in deferred outflows of resources for pensions	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (18,339,160)</u>	<u>\$ (325,388)</u>	<u>\$ (715,826)</u>	<u>\$ 198,346</u>
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	<u>\$ 98,334</u>	<u>\$ -</u>	<u>\$ -</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, 2017 (With Comparative Totals as of June 30, 2016)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2017	2016	2017	2016
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(66,401)	2,173,362	(917,333)	(680,636)
CASH AND INVESTMENTS, BEGINNING	20,656,832	18,483,470	4,037,321	4,717,957
CASH AND INVESTMENTS, ENDING	\$ 20,590,431	\$ 20,656,832	\$ 3,119,988	\$ 4,037,321
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (23,238,370)	\$ (22,014,266)	\$ (24,640)	\$ 241,795
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,701,583	4,408,937	1,216,111	1,163,253
Pension expense	172,655	(300,395)	-	-
Changes in assets and liabilities:				
Receivables	(1,095,418)	2,146,580	(1,293)	3,461
Prepaid items	(16,020)	4,889	-	-
Inventories	116,676	(107,420)	(23,504)	26,683
Due from other funds	(1,034,553)	5,041	-	-
Accounts payable	(25,216)	(116,782)	159,097	(454,981)
Accrued liabilities	19,257	(38,010)	1,407	750
Customer deposits	(4,265)	7,257	-	-
Accrued compensated absences	34,118	(15,280)	(1,706)	10,538
Accrued OPEB liability	1,187,525	1,389,373	27,364	49,430
(Increase) decrease in deferred outflows of resources for pensions	-	-	5,755	(10,358)
Net cash provided by (used in) operating activities	\$ (19,182,028)	\$ (14,630,076)	\$ 1,358,591	\$ 1,030,571
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	\$ 98,334	\$ 59,118	\$ -	\$ -

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, 2017

	<u>OPEB Trust Fund</u>
ASSETS	
Restricted assets:	
Investments:	
Cash and cash equivalents	\$ -
Fixed income	489,419
Equity	2,349,213
Multi-strategy	<u>424,164</u>
TOTAL ASSETS	<u>\$ 3,262,796</u>
NET POSITION	
Net position restricted for postemployment benefits other than pensions	<u>\$ 3,262,796</u>

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, 2017

	<u>OPEB Trust Fund</u>
Additions:	
Employer contributions:	<u>\$ 4,733,352</u>
Investment income:	<u>306,647</u>
Total additions	<u>5,039,999</u>
Deductions:	
Benefit payments	1,775,352
Administrative expense	<u>1,851</u>
Total deductions	<u>1,777,203</u>
Change in net position	<u>3,262,796</u>
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	-
End of year	<u>\$ 3,262,796</u>

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

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 of 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, State grants, and various other taxes, licenses, and charges for services. The primary expenditures are for general government, environment and development, public safety, and leisure activities.

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

The Town reports four proprietary funds:

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

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

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

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

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 on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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 Fund, Affordable Housing Fund, Transitional Housing Fund, Land Trust Fund and Capital Projects Ordinance Fund.

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

enterprise funds. The budgets in the supplemental section represent the budget as amended through June 30, 2017.

The Council's schedule for developing the 2016-17 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in March and a public hearing was held in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 13, 2016.

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

<u>Governmental Fund Types</u>	<u>Annual Budget</u>	<u>Project Life Budget</u>
General Fund	X	
Special Revenue Funds		
Community Development Entitlement Grants Projects Ordinance Fund		X
Affordable Housing Fund		X
Transitional Housing Fund		X
Land Trust Fund		X
Grants Fund	X	
Downtown Service District Fund	X	
Affordable Housing Development Reserve 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)] authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

OWASA's investments with a maturity of more than one year at acquisition and nonmoney market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Government Portfolio's securities, a SEC-registered 2a-7 external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

6. Cash and Cash Equivalents

The Town 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." A portion of the cash of the Housing Operations Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the Transit Fund represents unspent loan proceeds restricted for the future purchase of buses. Proceeds from the issuance of bonds and installment purchase agreements in the Capital Projects Ordinance Fund are restricted for capital projects. Also restricted are grants and donations in the Community Development Entitlement Grants Project Ordinance Fund, Transitional Housing Fund, Grants Fund, Library Gift Fund, Capital Reserve Fund, Public Housing Capital Projects Fund and Transit Grants Project Ordinance Fund.

7. Restricted Assets

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

Government Activities:

General Fund		
Surety deposits	\$	498,575
Capital Projects Ordinance Fund		
Unspent bond proceeds		11,390,686
Capital Reserve Fund		
Capital project restrictions		215,525
Transit Capital Grants Fund		
Grant restrictions		16,926
Public Housing Capital Grants Fund		
Grant restrictions		10,935
Community Development Entitlement Fund		
Grant restrictions		65,719
Transitional Housing Fund		
Tenant deposits		21,824
Grants Fund		
Grant restrictions		38,765
Library Gift Fund		
Donation restrictions		332,394
		<hr/>
Total government activities	\$	12,591,349
		<hr/>
Business-type Activities:		
Transit Fund		
Unspent loan proceeds	\$	6,408,000
Housing Fund		
Customer deposits		79,194
Stormwater Fund		
Surety deposits		30,175
		<hr/>
Total business-type activities	\$	6,517,369
		<hr/>
Total Restricted Cash	\$	19,108,718
		<hr/> <hr/>

8. Property Tax 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. The taxes levied are based on the assessed values as of January 1, 2016.

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. Inventories

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

11. Prepaid Items

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

12. Capital Assets

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

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

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

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

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

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and pension deferrals for the 2017 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 position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – prepaid taxes, fees and charges receivable, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

14. Long-term Obligations

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

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. Compensated Absences

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

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

16. Net Position and Fund Balances

Net position in 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.

A difference of \$11,390,686 in Restricted Net Position between Exhibit 3, Governmental Funds Balance Sheet and Exhibit 1, Statement of Net Position is equal to unspent bond proceeds.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for transit capital purchases – portion of fund balance that is restricted by revenue source for transit capital equipment and vehicle purchases.

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

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

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

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

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

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

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

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

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

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

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

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's guideline for the General Fund is to maintain available fund balance 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.

18. Pensions

The Town participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State: the Local Government 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 position of the state-administered defined benefit pension plan and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net position has been determined on the same basis as it is reported by the state-administered defined benefit pension plan. 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. Investments 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, 2017, the Town's deposits had a carrying amount of \$57,072,582 and a bank balance of \$70,387,135. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$18,287,678 was covered by collateral held under the Dedicated Method and \$50,849,457 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$8,118 at year end.

At June 30, 2017, OWASA's deposits had a carrying amount of \$27,399,465 and a bank balance of \$27,569,629. Of the bank balance, \$2,293,200 was covered by federal depository insurance and \$25,276,429 in deposits was covered by collateral held under the Pooling Method. OWASA had cash on hand of \$2,700 at year end.

C. Investments

At June 30, 2017, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 06/30/2017	Maturity
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 12,135,618	N/A
ICMA Vantage Trust Aggressive Model Portfolio	Fair Value Level 2	3,262,796	N/A
Total:		\$ 15,398,414	

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 1 debt securities are valued using directly observable quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

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 external investment pool.

At June 30, 2017, the Town's Healthcare Benefits (HCB) Plan fund had \$3,262,796 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 ICMA as follows: 100% in the Vantage Trust Aggressive Model Portfolio.

Interest Rate Risk: The Town does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The OPEB Trust is unrated and had a weighted average maturity of 10 years at June 30, 2017.

Credit risk: The Town does not have a formal investment policy regarding credit risk for the HCB Plan Fund. The Town's OPEB trust is invested in highly liquid fixed income securities, equity securities and multi-strategy investments.

At June 30, 2017, the Town of Chapel Hill had \$12,135,618 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

At June 30, 2017, OWASA had \$5,728,388 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 as of June 30, 2017.

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, 2017 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 499,984	\$ -
Due from Federal Government	988,578	1,129,345
Due from State	5,075,388	1,286,458
Due from local governments	280,277	12,823
	<u>\$ 6,844,227</u>	<u>\$ 2,428,626</u>

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

Property taxes receivable	\$ 403,725	\$ -
Vehicle licenses receivable	22,822	22,823
Accounts receivable	7,002	25,005
	<u>\$ 433,549</u>	<u>\$ 47,828</u>

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2017 follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,328,900	\$ 9,524,436	\$ -	\$ 36,853,336
Easements	208,123	11,000	-	219,123
Construction in progress	9,512,782	8,836,513	2,577,725	15,771,570
Total capital assets, not being depreciated	<u>37,049,805</u>	<u>18,371,949</u>	<u>2,577,725</u>	<u>52,844,029</u>
Capital assets, being depreciated:				
Land improvements	24,054,338	1,049,698	-	25,104,036
Infrastructure	35,940,326	980,390	-	36,920,716
Buildings and building improvements	81,435,304	726,591	-	82,161,895
Equipment	8,815,155	207,434	56,710	8,965,879
Vehicles	17,446,789	2,165,593	812,433	18,799,949
Total capital assets, being depreciated	<u>167,691,912</u>	<u>5,129,706</u>	<u>869,143</u>	<u>171,952,475</u>
Accumulated depreciation:				
Land improvements	8,414,958	1,144,447	-	9,559,405
Infrastructure	26,313,720	1,476,829	-	27,790,549
Buildings and building improvements	34,931,845	3,579,087	-	38,510,932
Equipment	5,756,670	624,172	56,710	6,324,132
Vehicles	12,832,575	1,331,989	812,433	13,352,131
Total accumulated depreciation	<u>88,249,768</u>	<u>8,156,524</u>	<u>869,143</u>	<u>95,537,149</u>
Total capital assets, being depreciated, net	<u>79,442,144</u>	<u>(3,026,818)</u>	<u>-</u>	<u>76,415,326</u>
Governmental activities capital assets, net	<u>\$ 116,491,949</u>	<u>\$ 15,345,131</u>	<u>\$ 2,577,725</u>	<u>\$ 129,259,355</u>

	July 1, 2016	Increases	Decreases	June 30, 2017
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	69,248	-	69,248	-
Total capital assets, not being depreciated	<u>2,168,785</u>	<u>-</u>	<u>69,248</u>	<u>2,099,537</u>
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,623,884	69,248	-	17,693,132
Equipment	2,047,218	154,623	-	2,201,841
Vehicles	40,840,883	7,575,220	4,925,842	43,490,261
Total capital assets, being depreciated	<u>66,485,993</u>	<u>7,799,091</u>	<u>4,925,842</u>	<u>69,359,242</u>
Accumulated depreciation:				
Land improvements	4,091,692	187,133	-	4,278,825
Buildings and building improvements	7,451,570	818,306	-	8,269,876
Equipment	1,988,187	30,104	-	2,018,291
Vehicles	26,383,044	2,887,217	4,925,842	24,344,419
Total accumulated depreciation	<u>39,914,493</u>	<u>3,922,760</u>	<u>4,925,842</u>	<u>38,911,411</u>
Total capital assets, being depreciated, net	<u>26,571,500</u>	<u>3,876,331</u>	<u>-</u>	<u>30,447,831</u>
Transit fund capital assets, net	<u>\$ 28,740,285</u>	<u>\$ 3,876,331</u>	<u>\$ 69,248</u>	<u>\$ 32,547,368</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
Construction in progress	70,000	25,973	95,973	-
Total capital assets, not being depreciated	<u>3,231,115</u>	<u>25,973</u>	<u>95,973</u>	<u>3,161,115</u>
Capital assets, being depreciated:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,296,236	-	-	7,296,236
Equipment	677,025	139,118	-	816,143
Total capital assets, being depreciated	<u>8,466,892</u>	<u>139,118</u>	<u>-</u>	<u>8,606,010</u>
Accumulated depreciation:				
Land improvements	403,346	5,571	-	408,917
Buildings and building improvements	7,284,811	1,105	-	7,285,916
Equipment	565,285	70,474	-	635,759
Total accumulated depreciation	<u>8,253,442</u>	<u>77,150</u>	<u>-</u>	<u>8,330,592</u>
Total capital assets, being depreciated, net	<u>213,450</u>	<u>61,968</u>	<u>-</u>	<u>275,418</u>
Parking facilities fund capital assets, net	<u>\$ 3,444,565</u>	<u>\$ 87,941</u>	<u>\$ 95,973</u>	<u>\$ 3,436,533</u>

	July 1, 2016	Increases	Decreases	June 30, 2017
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Construction in progress	272,264	26,750	-	299,014
Total capital assets, not being depreciated	<u>1,973,923</u>	<u>26,750</u>	<u>-</u>	<u>2,000,673</u>
Capital assets, being depreciated:				
Land improvements	336,519	-	-	336,519
Buildings and building improvements	23,164,024	-	-	23,164,024
Equipment	438,283	-	-	438,283
Vehicles	274,763	17,995	15,865	276,893
Total capital assets, being depreciated	<u>24,213,589</u>	<u>17,995</u>	<u>15,865</u>	<u>24,215,719</u>
Accumulated depreciation:				
Land improvements	264,875	11,517	-	276,392
Buildings and building improvements	15,058,402	599,416	-	15,657,818
Equipment	372,868	11,894	-	384,762
Vehicles	208,173	14,240	15,865	206,548
Total accumulated depreciation	<u>15,904,318</u>	<u>637,067</u>	<u>15,865</u>	<u>16,525,520</u>
Total capital assets, being depreciated, net	<u>8,309,271</u>	<u>(619,072)</u>	<u>-</u>	<u>7,690,199</u>
Housing operating fund capital assets, net	<u>\$ 10,283,194</u>	<u>\$ (592,322)</u>	<u>\$ -</u>	<u>\$ 9,690,872</u>
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 62,357	\$ 751,138	\$ -	\$ 813,495
Total capital assets, not being depreciated	<u>62,357</u>	<u>751,138</u>	<u>-</u>	<u>813,495</u>
Capital assets, being depreciated:				
Land improvements	1,108,481	-	-	1,108,481
Equipment	88,558	-	-	88,558
Total capital assets, being depreciated	<u>1,197,039</u>	<u>-</u>	<u>-</u>	<u>1,197,039</u>
Accumulated depreciation:				
Land improvements	275,198	53,555	-	328,753
Equipment	29,552	11,051	-	40,603
Total accumulated depreciation	<u>304,750</u>	<u>64,606</u>	<u>-</u>	<u>369,356</u>
Total capital assets, being depreciated, net	<u>892,289</u>	<u>(64,606)</u>	<u>-</u>	<u>827,683</u>
Stormwater management fund capital assets, net	<u>\$ 954,646</u>	<u>\$ 686,532</u>	<u>\$ -</u>	<u>\$ 1,641,178</u>
Business-type activities capital assets, net	<u>\$ 43,422,690</u>	<u>\$ 4,058,482</u>	<u>\$ 165,221</u>	<u>\$ 47,315,951</u>

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

Governmental activities:	
General government	\$ 304,788
Environment and development	3,866,748
Public safety	320,283
Leisure activities	2,448,594
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,216,111
Total depreciation expense - governmental activities	<u>\$ 8,156,524</u>
Business-type activities:	
Transit	\$ 3,922,760
Parking facilities	77,150
Housing Operating	637,067
Stormwater Management	64,606
Total depreciation expense - business-type activities	<u>\$ 4,701,583</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2017, follows:

	July 1, 2016	Increases	Decreases	Transfers	June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 17,605,354	\$ -	\$ -		\$ 17,605,354
Construction in progress	32,601,526	9,857,418	-	(14,396,023)	28,062,921
Total capital assets, not being depreciated	<u>50,206,880</u>	<u>9,857,418</u>	<u>-</u>	<u>(14,396,023)</u>	<u>45,668,275</u>
Capital assets, being depreciated:					
Water treatment and distribution	162,205,005	1,035,406	-	468,703	163,709,114
Sewer collection and treatment	201,626,364	1,160,914	-	12,912,264	215,699,542
Fixtures and equipment	43,558,605	1,703,661	(273,117)	1,015,056	46,004,205
Total capital assets, being depreciated	<u>407,389,974</u>	<u>3,899,981</u>	<u>(273,117)</u>	<u>14,396,023</u>	<u>425,412,861</u>
Less accumulated depreciation for:					
Water treatment and distribution	60,774,202	3,652,259	-	-	64,426,461
Sewer collection and treatment	63,631,954	4,070,132	-	-	67,702,086
Fixtures and equipment	32,227,612	1,186,738	(256,283)	-	33,158,067
Total accumulated depreciation	<u>156,633,768</u>	<u>8,909,129</u>	<u>(256,283)</u>	<u>-</u>	<u>165,286,614</u>
Total capital assets, being depreciated, net	<u>250,756,206</u>	<u>(5,009,148)</u>	<u>(16,834)</u>	<u>14,396,023</u>	<u>260,126,247</u>
Total capital assets, net	<u>\$ 300,963,086</u>	<u>\$ 4,848,270</u>	<u>\$ (16,834)</u>	<u>\$ -</u>	<u>\$ 305,794,522</u>

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

Capital Assets	\$ 208,813,317
Depreciation	(83,639,773)
	<u>125,173,544</u>
Internal service fund capital assets, net of depreciation	4,085,811
Total Capital Assets, net	<u>\$ 129,259,355</u>
Debt:	
Short-term portion of debt	\$ 10,303,660
Long-term portion of debt	91,512,866
Total Debt	<u>101,816,526</u>
Less Total pension liability (LEOSAA) (unrelated to capital)	(4,798,949)
Less Net Pension Liability (LGERS) (unrelated to capital)	(8,971,892)
Less Compensated absences (unrelated to capital)	(2,819,070)
Less Other Postemployment Benefits (unrelated to capital)	(19,966,200)
Unspent proceeds, governmental funds	<u>(11,390,686)</u>
Capital Related Debt	<u>53,869,729</u>
Net investment in capital assets	<u>\$ 75,389,626</u>

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

Total Capital Assets, net	<u>\$ 47,315,951</u>
Debt:	
Short-term portion of debt	1,191,930
Long-term portion of debt	20,202,493
Total Debt	<u>21,394,423</u>
Less Net Pension Liability (LGERS) (unrelated to capital)	(3,732,830)
Less Compensated Absences (unrelated to capital)	(637,133)
Less Other Postemployment Benefits (unrelated to capital)	(10,616,460)
Unspent proceeds, business-type funds	<u>(6,408,000)</u>
Capital Related Debt	<u>-</u>
Net investment in capital assets	<u>\$ 47,315,951</u>

F. Payables

Payables at the government-wide level at June 30, 2017, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 1,488,012	\$ 1,358,569	\$ 2,846,581
Other Governmental	<u>1,285,504</u>	<u>155,905</u>	<u>1,441,409</u>
	<u><u>\$ 2,773,516</u></u>	<u><u>\$ 1,514,474</u></u>	<u><u>\$ 4,287,990</u></u>
Business-Type Activities:			
Transit	515,795	250,843	766,638
Parking Facilities	93,445	10,246	103,691
Housing Operations	34,200	97,069	131,269
Stormwater Management	<u>65,178</u>	<u>53,170</u>	<u>118,348</u>
	<u><u>\$ 708,618</u></u>	<u><u>\$ 411,328</u></u>	<u><u>\$ 1,119,946</u></u>

G. Long-Term Debt

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2017 is as follows:

General obligation bonds

\$4,490,000 Refunding 1998 and 2000 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, and for acquisition of open space and greenways - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2% to 4%	\$ 555,000
\$8,160,000 Construction and renovation to Town facilities, including Library renovation (\$5,701,200), Streets and sidewalks (\$979,500) and Parks and recreation facilities (\$1,479,300) - 2010A serial bonds payable in annual installments of \$1,020,000 through 2019; interest at 2% to 4%	2,040,000
\$12,250,000 Construction and renovation to Town facilities, including Library renovation (\$8,558,800), Streets and sidewalks (\$1,470,500) and Parks and recreation facilities (\$2,220,700) - 2010B Build America Bonds (BABs) serial bonds payable in annual installments of \$1,020,000 to \$1,025,000 through 2031; interest at 3.5% to 4.9%	12,250,000
\$4,655,000 Refunding 1996, 2003 and 2004 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, open space and greenways and public buildings and facilities - 2012 refunding serial bonds payable in annual installments of \$115,000 to \$605,000 through 2025; interest at 2% to 4%	2,530,000

\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	1,275,000
\$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%	2,631,000
\$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%	9,000,000
\$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%	1,460,000
<i>Total general obligation bonds</i>	<u>\$ 31,741,000</u>

Limited Obligation Bonds

\$28,800,000 - Limited Obligation Bonds to refinance installment notes payable for renovations to parks facilities, to refinance Certificates of Participation that were used to finance the acquisition and construction of the Town Operations Center, to finance the acquisition of parking space in a parking deck to be constructed within a mixed-use development, and to finance improvements to Town facilities including the Wallace Deck and Town Operations Center - 2012 series limited obligation bonds payable in annual installments at \$445,000 to \$2,215,000; interest at 2% to 5%	<u>\$ 18,045,000</u>
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Installment Notes Payables

Construction and renovation of facilities:

\$2,395,000 - to renovate various municipal facilities; Bank of North Carolina installment purchase contract entered into June 2015; due in varying annual installments through 2030; interest at 2.24%	\$ 2,235,000
\$7,984,000 - to renovate various facilities and Ephesus Fordham road reconstruction; Raymond James installment purchase contract entered into March 2016; due in varying annual installments through 2031; interest at 2.32%	7,470,000
\$4,300,000 - to purchase American Legion property; private party installment purchase contract entered into March 2017; \$2,300,000 due in two installments through 2019; interest at 1%	4,300,000
	<u>14,005,000</u>

Purchase of fleet replacement vehicles:

\$1,600,000 - Bank of America installment purchase contract entered into February 2011 payable in annual installments of \$249,764 through 2018; interest at 2.41%	245,321
\$887,000 - BB&T installment purchase contract entered into February 2012 payable in annual installments of \$135,039 through 2019; interest at 1.72%	264,370
\$431,200 - SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%	190,373
\$445,000 - Wells Fargo Bank installment purchase contract entered into June 2013 payable in annual installments of \$67,254 through 2020; interest at 1.52%	196,462
\$872,000 - SunTrust Bank installment purchase contract entered into December 2013 payable in annual installments of \$133,192 through 2020; interest at 1.81%	449,743
	<u>1,346,269</u>
<i>Total installment notes payables</i>	<u>\$ 15,351,269</u>

Business-Type Activities:

Installment Notes Payables

\$6,408,000 - to purchase buses; Pinnacle Bank installment purchase contract entered into February 2017 payable in annual installments of \$560,000 to \$705,000 through 2027; interest at 2.09%	<u>\$ 6,408,000</u>
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In addition to the general obligation bonds, limited obligation bonds and installment notes payable, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences and other postemployment benefits.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,771,000	\$ 1,119,407	\$ 3,890,407
2019	2,752,000	1,051,088	3,803,088
2020	2,462,000	974,408	3,436,408
2021	2,282,000	896,867	3,178,867
2022	2,167,000	822,624	2,989,624
2023-2027	10,292,000	2,939,368	13,231,368
2028-2032	6,765,000	1,093,077	7,858,077
2033-2037	2,250,000	215,436	2,465,436
	<u>\$ 31,741,000</u>	<u>\$ 9,112,275</u>	<u>\$ 40,853,275</u>

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,890,000	\$ 863,831	\$ 2,753,831
2019	1,920,000	772,331	2,692,331
2020	1,930,000	678,331	2,608,331
2021	1,980,000	583,331	2,563,331
2022	2,010,000	484,331	2,494,331
2023-2027	6,255,000	1,058,174	7,313,174
2028-2032	2,060,000	253,802	2,313,802
	<u>\$ 18,045,000</u>	<u>\$ 4,694,131</u>	<u>\$ 22,739,131</u>

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

Year Ending June 30,	Principal	Interest	Total
2018	3,456,009	242,940	\$ 3,698,949
2019	3,223,167	216,441	3,439,608
2020	951,095	194,758	1,145,853
2021	762,999	174,980	937,979
2022	704,000	158,342	862,342
2023-2027	3,545,000	545,381	4,090,381
2028-2031	2,708,999	149,677	2,858,676
	<u>\$ 15,351,269</u>	<u>\$ 1,682,519</u>	<u>\$ 17,033,788</u>

Annual debt service requirements to maturity for business-type activities installment note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	560,000	156,309	\$ 716,309
2019	597,000	119,109	716,109
2020	610,000	106,559	716,559
2021	622,000	93,747	715,747
2022	636,000	80,674	716,674
2023-2027	3,383,000	197,379	3,580,379
	<u>\$ 6,408,000</u>	<u>\$ 753,777</u>	<u>\$ 7,161,777</u>

Long-term debt activity for the year ended June 30, 2017 was as follows:

	June 30, 2016	Additions	Reductions	June 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 23,472,000	\$ 10,460,000	\$ 2,191,000	\$ 31,741,000	\$ 2,771,000
Limited obligation bonds	20,210,000	-	2,165,000	18,045,000	1,890,000
Installment notes payable	10,379,000	4,300,000	674,000	14,005,000	2,827,000
Installment notes payable - internal service funds	2,213,753	-	867,484	1,346,269	629,009
Orange County loan payable	123,146	-	-	123,146	-
Total pension liability for LEO	415,060	4,383,889	-	4,798,949	-
Net pension liability for LGERS	1,955,978	6,896,082	-	8,852,060	-
Net pension liability for LGERS - internal service funds	19,889	99,943	-	119,832	-
Compensated absences - governmental activities	2,691,206	2,255,257	2,159,011	2,787,452	2,159,011
Compensated absences - internal service funds	33,324	25,934	27,640	31,618	27,640
Other postemployment benefits	19,676,257	-	99,177	19,577,080	-
Other postemployment benefits - internal service funds	361,756	27,364	-	389,120	-
Long-term debt	<u>\$ 81,551,369</u>	<u>\$ 28,448,469</u>	<u>\$ 8,183,312</u>	<u>\$ 101,816,526</u>	<u>\$ 10,303,660</u>
Business-type activities:					
Installment notes payable	\$ -	\$ 6,408,000	\$ -	\$ 6,408,000	\$ 560,000
Net pension liability for LGERS	734,535	2,998,295	-	3,732,830	-
Compensated absences	603,015	700,877	666,759	637,133	631,930
Other postemployment benefits	9,428,935	1,187,525	-	10,616,460	-
Long-term debt	<u>\$ 10,766,485</u>	<u>\$ 11,294,697</u>	<u>\$ 666,759</u>	<u>\$ 21,394,423</u>	<u>\$ 1,191,930</u>

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 closed on the first issuance of these General Obligation bonds for \$9,000,000 to fund trails and greenways, parks and recreation facility improvements and street and sidewalk projects. In February 2017, the Town closed on \$1,460,000 of Two-thirds public safety bonds to purchase fire apparatus and radios. In February 2017, the Town also closed on an installment financing for the purchase of 14 transit buses. The Chapel Hill Transit funding partners, Carrboro, UNC and Chapel Hill, will share the cost of repaying the debt.

On June 27, 2012, the Town issued \$22 million in advanced refunding limited obligation bonds and defeased 2005 and 2003 certificates of participation and a 2007 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price of the 2000 certificates of participation exceeded the net carrying amount of the old debt by \$340,000. This amount was being amortized over the life of the new certificates of participation but has been removed from the proprietary activities column of the statement of net position with the refunding. The refinancing was undertaken to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$800,000. On June 30, 2017, \$12,240,000 of certificates of participation is considered defeased.

In accordance with the provisions of the State Constitution and the Local Government Bond Act, as amended, the Town may not, with certain exceptions, have outstanding net bonded debt exceeding 8% of the appraised value of the property subject to taxation. At June 30, 2017, the legal debt margin for the Town was approximately \$540 million.

OWASA's long-term debt as of June 30, 2017 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2015 Refunding Revenue Serial Bonds, in the amount of \$8,995,000, issued July 1, 2015, with a coupon rate of 4.5%; final maturity July 2031, net of deferred refunding loss of \$41,278 at June 30, 2017	\$ 8,915,000
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 \$1,085,777 at June 30, 2017	15,695,000
Revenue bonds payable, Series 2010 Refunding Revenue Serial Bonds, in the amount of \$21,645,000, issued September 30, 2010, with coupon rates of 3.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$410,311 at June 30, 2017	17,225,000
Revenue bonds payable, Series 2004A Revenue Bonds, in the amount of \$21,265,000, issued June 1, 2004, with coupon rates of 3.0% and 5.25%, final maturity July 2021; revenue bonds payable, Series 2004B Revenue Bonds, in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.90% at June 30, 2017), final maturity July 2029	20,000,000
	<u>\$ 61,835,000</u>

Note Payable:

Note payable to NCDENR 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	<u>\$ 5,576,000</u>
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OWASA bond payable maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding		Total	Interest
		Losses			
2018	4,785,000	313,275		5,098,275	7,629,241
2019	4,940,000	271,946		5,211,946	7,371,002
2020	5,130,000	244,198		5,374,198	7,111,487
2021	4,105,000	209,318		4,314,318	6,846,285
2022	4,250,000	156,755		4,406,755	6,611,097
2023-2027	24,575,000	259,318		24,834,318	23,274,885
2028-2032	14,050,000	-		14,050,000	5,356,988
Total	<u>\$ 61,835,000</u>	<u>\$ 1,454,810</u>		<u>\$ 63,289,810</u>	<u>\$ 64,200,985</u>

OWASA note payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2018	328,000	-	328,000
2019	328,000	-	328,000
2020	328,000	-	328,000
2021	328,000	-	328,000
2022	328,000	-	328,000
2023-2027	1,640,000	-	1,640,000
2028-2032	1,640,000	-	1,640,000
2033-2034	656,000	-	656,000
Total	\$ 5,576,000	\$ -	\$ 5,576,000

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 June 30, 2017, \$16,430,000 of bond outstanding are considered defeased.

On July 1, 2015, OWASA issued \$8,995,000 of Series 2015 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$8,930,000 of Series 2005 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. The reacquisition price exceeded the net carrying amount of the old debt by \$65,000. This amount is being amortized over the life of the new debt issued, which is shorter than the life of the refunded debt. This direct purchase forward refunding was undertaken to reduce total debt service payments over the next 5 years by \$613,660 and resulted in an economic gain of \$584,285. On June 30, 2017, \$8,930,000 of bonds outstanding is considered defeased.

OWASA's long-term debt activity for the year ended June 30, 2017 is as follows:

	July 1,			June 30,	Due Within
	2016	Additions	Reductions	2017	One Year
Notes payable	\$ 5,904,000	\$ -	\$ 328,000	\$ 5,576,000	\$ 328,000
Bonds payable:					
Revenue bonds	67,720,000	-	5,885,000	61,835,000	4,785,000
For issuance premiums	4,271,568	-	1,106,310	3,165,258	504,894
Compensated absences	544,683	505,995	495,019	555,659	495,019
Net pension liability (LRS)	538,330	2,195,661	-	2,733,991	-
OPEB	6,295,768	762,025	268,832	6,788,961	-
Total bonds payable	\$ 85,274,349	\$ 3,463,681	\$ 8,083,161	\$ 80,654,869	\$ 6,112,913

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$61,835,000 in revenue bonds issued in 2003, 2004A, 2005, 2006, 2010, 2014 and 2015. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Annual principal and interest payments are expected to require less than 23% of net revenues. Principal and interest on the bonds are payable through 2032, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$126,035,985. Principal and interest paid in the year ended June 30, 2017 was \$7,930,519 and total customer net revenues for the year ended June 30, 2017 was \$35,740,394.

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 2003, 2004A, 2005, 2006, 2010, 2014 and 2015. The Bond Order requires the debt service coverage ratio to be no less than 120% of the debt service requirements for parity indebtedness.

The debt service coverage ratio calculation for the year ended June 30, 2017, is as follows:

Operating revenues	\$ 37,992,423
Operating expenses *	<u>21,173,235</u>
Income available for debt service	<u>\$ 16,819,188</u>
Debt service, principal and interest paid	<u>\$ 7,930,519</u>
Debt service coverage ratio for parity debt	<u>212.08%</u>

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

The above debt service amount for principal and interest paid excludes partial refunding in the current year. At June 30, 2017, OWASA was in compliance with the bond covenants described above.

H. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current year	\$ 2,980,498
Pension deferrals	<u>8,132,971</u>
	<u>\$ 11,113,469</u>

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

<u>Source</u>	<u>Amount</u>
Prepaid taxes (General Fund)	\$ 277
Deferrals of pension expense	<u>614,546</u>
	<u>\$ 614,823</u>

I. 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	\$ 24,509,972
Less:	
Inventories	1,697
Prepaid expenses	76,121
Stabilization by State Statute	7,234,759
Parks projects	46,899
Streets projects	382,723
Public safety	147,578
Workforce development	111,281
Economic development	163,246
Appropriated in FY18 budget	2,684,006
Working capital fund balance reserve	8,127,864
Remaining fund balance	5,533,798

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	\$ 1,257,824
Capital Projects Ordinance Fund	4,430,721
Non-major funds	1,164,392

J. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2017, the statements of the Town include a net of balances due to/from other funds in the amount of \$2,555,969 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 COPS debt refunded by issuance of limited obligation bonds that are now carried in the Debt service fund. The payable from the Housing 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	130,969
Debt service fund	Parking facility fund	2,425,000
		<u>\$ 2,555,969</u>

Between governmental funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Fund	4,416

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2017 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater Fund	\$ (6,984)
From Parking Fund to Debt Service Fund	908,831
From Transit Fund to Nonmajor Fund	25,728
Total transfers to governmental funds from proprietary funds	<u>\$ 927,575</u>

Transfers between governmental funds:

From Nonmajor Fund to Capital Projects Ordinance Fund	450,000
From Nonmajor Fund to General Fund	45,000
From General Fund to Nonmajor Fund	2,504,535
From General Fund to Capital Projects Ordinance Fund	3,651,025
From Capital Projects Ordinance Fund to Nonmajor Fund	702,150

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 \$6,984 from the General Fund to the Stormwater Fund is a reimbursement of a fee exemption. The transfer from the Parking Fund to the Debt Service Fund represents debt repayment for the 140 West and Rosemary Garage. Transit made a transfer of matching funds to the Transit Grants Fund for a transit-related operating grant. The General Fund transferred funds to the Affordable Housing Development Reserve Fund to establish the fund, to the Grants Fund for grant matches, to the Capital Projects Fund to fund pay-go capital and to the Capital Projects Ordinance Fund to pay for a portion of the purchase of the American Legion Property. The transfers between the Capital Projects Fund and the Capital Projects Ordinance Fund are for the DHIC project and to reimburse funds borrowed until the 2015 bonds were issued. The Library Gift Fund transfers \$45,000 annually to the General Fund to help offset the cost of book purchases.

K. 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454, 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, 2017, was 8.00% of compensation for law enforcement officers and 7.34% 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 7.31%. The Town's contributions to the pension for the year ended June 30, 2017, were \$2,827,073 and OWASA's contributions were \$598,984.

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, 2017, the Town reported a liability of \$12,704,722 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Town's proportion was 0.59862%, which was a decrease of 0.00531% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,402,579. At June 30, 2017, 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	\$ 238,700	\$ 445,188
Changes of assumptions	870,160	-
Net difference between projected and actual earnings on pension plan investments	7,024,111	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	86,222
Town contributions subsequent to measurement date	2,827,073	-
Total	<u>\$ 10,960,044</u>	<u>\$ 531,410</u>

\$2,827,073 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 ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	1,134,380
2019		1,135,560
2020		3,323,194
2021		2,008,427
2022		-
Thereafter		-
	\$	<u>7,601,561</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (a) inflation rate of 3.0 percent, (b) salary increases of 3.50% to 7.75%, including inflation and a productivity factor, (c) investment rate of return of 7.25%, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. 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 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. 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 7.25%, 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 30,154,231	\$ 12,704,722	\$ (1,870,406)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2015, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	17
Terminated plan members entitled to but not yet receiving benefits	0
Active Plan members	116
	<hr/>
	133
	<hr/> <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, 2015 valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement: (a) inflation rate of 3.0 percent, (b) salary increases of 3.50% to 7.35%, including inflation and a productivity factor, (c) discount rate of 3.86%. The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index as of December 31, 2016. Mortality rates are based on the RP-2014 Mortality tables projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

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 \$337,957 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, 2017, the Town reported a total pension liability of \$4,798,949. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the Town recognized pension expense of \$322,616.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	83,126
Town benefit payments and plan administrative expense made subsequent to the measurement date	153,425	-
Total	<u>\$ 153,425</u>	<u>\$ 83,126</u>

\$153,425 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 ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	17,838
2019		17,838
2020		17,838
2021		17,838
2022		11,774
Thereafter		-
	<u>\$</u>	<u>83,126</u>

\$153,425 paid as benefits came due subsequent to the measurement date are reported as deferred outflows of resources.

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 3.86%, 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 (2.86%) or 1 percentage point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 5,157,085	\$ 4,798,949	\$ 4,468,464

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

	2017
Total Pension Liability as of December 31, 2015	\$ 4,897,799
Changes for the year:	
Service Cost at End of Year	171,252
Interest on the total pension liability	168,819
Changes in benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	-
Changes of assumptions and other inputs	(100,964)
Benefit payments	(337,957)
Other changes	-
Net Changes	(98,850)
Total Pension Liability as of December 31, 2016	\$ 4,798,949

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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2017 were \$473,915, which consisted of \$296,694 from the Town and \$177,221 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, 2017 were \$2,239,656, which consisted of \$1,589,437 from the Town and \$650,219 from employees. No amounts were forfeited.

L. 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 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, 2016, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	234
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	440
	<hr/>
	674
	<hr/> <hr/>

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, 2017, 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, 2017, the Town made payments for post-retirement health benefit premiums of \$1,618,958 and the retirees made payments of \$156,394 for dependent care and for the employee's share of coverage according to the schedule above. For the fiscal year ended June 30, 2017, the Town also contributed \$2,958,000 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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	15%	1.5%
Equity	72%	3.4%
Multi-strategy	13%	1.3%

Rate of Return. For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense was 6.23%. 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, 2017 were as follows:

Total OPEB Liability	\$	59,317,954
Plan fiduciary net position		<u>3,262,796</u>
Town's net OPEB liability	\$	<u><u>56,055,158</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		5.50%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: (a) inflation rate of 3.0 percent, (b) salary increases of 3.50% to 7.75%, including inflation and a productivity factor, (c) investment rate of return of 6.23%, net of OPEB plan investment expense, including inflation, (d) healthcare cost trend rates of 7.75% for 2016 decreasing to an ultimate rate of 5.0% by 2022 for pre-medicare and 5.75 for 2016 decreasing to an ultimate rate of 5.0% by 2019 for medicare.

The total OPEB liability was rolled forward to June 30, 2017, utilizing update procedures incorporating the actuarial assumptions.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. For general employees, rates are adjusted by 115% (male) and 79% (female) for ages under 78 and by 135% (male) and 116% (female) for ages 78 and older. For law enforcement officers, rates are adjusted by 104% for males and 100% for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 2010 – 2014.

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 6.23%. The projection of cash flows used to determine the discount rate assumed that the Town will contribute \$700,000 to the trust in the fiscal year ending June 30, 2017 and \$840,000 in the fiscal year ending June 30, 2018. Contributions to the trust will increase 20% each subsequent year until the trust is fully funded. The OPEB plan’s fiduciary net position was not projected to be sufficient to make all future benefit payments

Sensitivity of the net OPEB liability to changes in the discount rate. 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 (5.23%) or one percentage point higher (7.23%) than the current discount rate:

	1% Decrease (5.23%)	Discount Rate (6.23%)	1% Increase (7.23%)
Net OPEB liability	\$ 65,787,087	\$ 56,055,158	\$ 48,248,143

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	\$ 47,156,715	\$ 56,055,158	\$ 67,323,483

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

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

Annual required contribution	\$ 6,484,071
Interest on net OPEB obligation	1,178,678
Adjustment to annual required contribution	<u>(1,813,685)</u>
Annual OPEB cost (expense)	5,849,064
Contributions (adjusted for implicit subsidy)	<u>(4,733,352)</u>
Increase in net OPEB obligation	1,115,712
Net OPEB obligation, beginning of year	<u>29,466,948</u>
Net OPEB obligation, end of year	<u><u>\$ 30,582,660</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB plan, and the net OPEB obligation as of June 30, 2017 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	5,517,527	28.7%	25,098,244
2016	5,888,881	25.8%	29,466,948
2017	5,849,064	80.9%	30,582,660

Funding status and Funding progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$64,209,641. The covered payroll (annual payroll of active employees covered by the plan) was \$26,043,832, and the ratio of the UAAL to the covered payroll was 246.5%.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.00% investment rate of return, which included an inflation component of 3.00% and (b) 7.50% - 5.00% medical cost trend rate for pre-medicare and 5.50% - 5.00% medical cost trend rate for post-medicare with 2020 as the year of ultimate trend rate. The actuarial value of assets was determined using the market value of assets. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2014 was 26 years.

L. Other Employment Benefits

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

M. Commitments and Contingencies

The Town has commitments related to capital improvements, capital purchases and a town-wide workforce development project at June 30, 2017 for the following:

Vehicle/Bus/Truck Purchases	\$ 1,790,804
Streets, Paving, Drainage and Sidewalks	1,254,141
Bolin Creek Trail	1,068,772
Miscellaneous Projects	888,790
Ephesus - Fordham Project	661,288
Parks & Recreation Projects	339,096
Technology Projects	120,990
Transit Projects	108,879
Workforce Development Projects	87,778
Public Housing Projects	85,000
Town Hall Renovations	67,898
Traffic Projects	34,879
	\$ 6,508,315

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 \$9,911,496 at June 30, 2017.

N. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, law enforcement liability and property losses; and through participation in the Interlocal Risk Management Pool of North Carolina for workers' compensation. Through this Fund and Pool, the Town maintains insurance coverage of \$3,000,000 for comprehensive general liability, \$5,000,000 for automobile liability, \$2,000,000 for law enforcement liability and public officials' liability, and a replacement cost coverage for property loss.

The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annual by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2017 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.

O. Change in Accounting Principles/Restatement

The Town implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the Town to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the Town to the Law Enforcement Officers' Special Separation Allowance during the measurement period (fiscal year ending December 31, 2016). As a result, net position for the governmental activities decreased \$4,126,944.

The Town also implemented Governmental Accounting Standards Board (GASB) No. Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans for the Healthcare Benefits Plan*. The implementation of this statement had no effect on net position.

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

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY PROJECTED UNIT CREDIT (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
12/31/2005	-	45,380,700	45,380,700	-	25,322,664	179.21%
12/31/2008	-	32,451,498	32,451,498	-	32,174,140	100.86%
12/31/2010	-	64,319,378	64,319,378	-	32,549,036	197.61%
12/31/2012	-	56,370,479	56,370,479	-	28,236,336	199.64%
12/31/2014	-	64,209,641	64,209,641	-	26,043,832	246.54%

OTHER POSTEMPLOYMENT BENEFITS
SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Three Years

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	5,892,263	26.90%
2016	6,394,883	23.77%
2017	6,484,071	73.00%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, closed
Remaining amortization method	26 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	
Pre-Medicare trend rate	7.50% - 5.00%
Post-Medicare trend rate	5.50% - 5.00%
Year of ultimate trend rate	2020
* Includes inflation at	3.00%

**LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
Last Four Fiscal Years ***

	2017	2016	2015	2014
Chapel Hill's proportion of the net pension liability (asset) (%)	0.59862%	0.60393%	0.60203%	0.60950%
Chapel Hill's proportion of the net pension liability (asset) (\$)	\$ 12,704,722	\$ 2,710,402	\$ (3,550,448)	\$ 7,346,815
Chapel Hill's covered-employee payroll	\$ 36,637,712	\$ 34,697,974	\$ 33,509,249	\$ 32,468,101
Chapel Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.68%	7.81%	-10.60%	22.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

These schedules are intended to show information for ten years. Additional information will be displayed as it becomes available.

** This will be the same percentage for all participant employers in the LGERS plan.

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,827,073	\$ 2,483,084	\$ 2,451,541	\$ 2,360,129
Contributions in relation to the contractually required contribution	<u>2,827,073</u>	<u>2,483,084</u>	<u>2,451,541</u>	<u>2,360,129</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Chapel Hill's covered payroll	\$ 38,271,235	\$ 36,637,712	\$ 34,697,974	\$ 33,509,249
Contributions as a percentage of covered-employee payroll	7.39%	6.78%	7.07%	7.04%

* These schedules are intended to show information for ten years. Additional information will be displayed as it becomes available.

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
JUNE 30, 2017**

	2017
Beginning balance	\$ 4,897,799
Service Cost	171,252
Interest on the total pension liability	168,819
Changes of benefit items	-
Differences between expected and actual experience in the measurement of	-
Changes of assumptions or other inputs	(100,964)
Benefit payments	(337,957)
Other changes	-
Ending balance of the total pension liability	<u>\$ 4,798,949</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
JUNE 30, 2017**

	<u>2017</u>
Total pension liability	\$ 4,798,949
Covered payroll	6,658,279
Total pension liability as a percentage of covered payroll	72.07%

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 1,246,561
Interest	3,457,733
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	<u>(1,775,352)</u>
Net change in total OPEB liability	\$ 2,928,942
Total OPEB liability - beginning	<u>56,389,012</u>
Total OPEB liability - ending	<u>\$ 59,317,954</u>
Plan fiduciary net position	
Contributions - employer	\$ 4,733,352
Net investment income	306,647
Benefit payments	(1,775,352)
Administrative expense	<u>(1,851)</u>
Net change in plan fiduciary net position	\$ 3,262,796
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending	<u>\$ 3,262,796</u>
Town's net OPEB liability - ending	<u>\$ 56,055,158</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.50%
Covered payroll	\$ 25,569,357
Town's net OPEB liability as a percentage of covered payroll	219.23%

SCHEDULE OF CONTRIBUTIONS IN THE HCB PLAN

	<u>2017</u>	<u>2016</u>
Actuarially determined	\$ 6,484,071	\$ 6,394,883
Contributions in relation to the actuarially determined contribution	<u>4,733,352</u>	<u>1,520,177</u>
Contribution deficiency (excess)	<u>\$ 1,750,719</u>	<u>\$ 4,874,706</u>
Covered payroll	\$ 25,569,357	\$ 25,569,357
Contributions as a percentage of covered payroll	18.51%	5.95%

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actual cost method	Projected unit credit
Amortization method	Level dollar
Amortization period	26 years, closed
Asset valuation method	Market value of assets
Inflation	3.0%
Healthcare cost trend rates	Pre-medicare - 7.5% for 2015 decreasing to an ultimate rate of 5.0% by 2020 Medicare - 5.5% for 2015 decreasing to an ultimate rate of 5.0% by 2017
Salary increases	3.5% - 7.75%
Investment rate of return	4.0%, net of OPEB plan investment expense, including price inflation
Retirement age	In the 2017 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.
Mortality	In the 2017 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.

SCHEDULE OF INVESTMENT RETURNS - OPEB

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.23%

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

OTHER GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2017	2016
ASSETS				
Cash and cash equivalents	\$ 2,774,503	\$ 2,034,170	\$ 4,808,673	\$ 3,600,868
Receivables:				
Governmental units and agencies	233,472	205,048	438,520	647,033
Property taxes, net	-	5,672	5,672	4,571
Other	-	16,991	16,991	123,052
Inventories	-	16,538	16,538	16,538
Restricted cash and cash equivalents	243,386	458,702	702,088	387,082
TOTAL ASSETS	\$ 3,251,361	\$ 2,737,121	\$ 5,988,482	\$ 4,779,144
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 4,416	\$ -	\$ 4,416	\$ 190,112
Accounts payable	179,141	16,137	195,278	381,435
Accrued liabilities	-	8,119	8,119	6,217
Unearned revenue	15,767	99,668	115,435	159,383
Accounts payable from restricted assets	18,368	76,530	94,898	79,974
Other payables from restricted assets	-	21,824	21,824	17,681
Total liabilities	217,692	222,278	439,970	834,802
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	-	5,672	5,672	4,571
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Restricted				
Stabilization by State Statute	1,093,165	526,738	1,619,903	2,070,203
Public housing	10,935	113,836	124,771	129,839
Public safety	-	29,155	29,155	37,548
Library	-	315,659	315,659	157,533
Transit capital purchases	16,926	-	16,926	20,538
Infrastructure capital projects	215,525	-	215,525	215,226
Streets	-	-	-	10,262
Committed				
Municipal buildings capital projects	129,969	-	129,969	549,273
Infrastructure capital projects	115,000	-	115,000	-
Parks capital projects	166,572	-	166,572	-
Technology capital projects	400,000	-	400,000	-
Fire capital projects	1,013,367	-	1,013,367	502,675
Public housing	-	1,929,871	1,929,871	480,562
Economic development	-	104,112	104,112	65,479
Assigned				
Subsequent year's expenditures	-	-	-	56,414
Municipal buildings capital projects	259,633	-	259,633	721,282
Parks capital projects	296,962	-	296,962	110,193
Technology capital projects	-	-	-	43,800
Unassigned	(684,385)	(526,738)	(1,211,123)	(1,247,594)
Total fund balances	3,033,669	2,509,171	5,542,840	3,939,771
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,251,361	\$ 2,737,121	\$ 5,988,482	\$ 4,779,144

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund	Grants Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 826,901	\$ 22,050	\$ 30,535	\$ -
Receivables:					
Governmental units and agencies	62,668	-	-	-	142,380
Property taxes, net	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	16,538	-
Restricted cash and cash equivalents	65,719	-	21,824	-	38,765
TOTAL ASSETS	<u>\$ 128,387</u>	<u>\$ 826,901</u>	<u>\$ 43,874</u>	<u>\$ 47,073</u>	<u>\$ 181,145</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	10,000	-	-	-
Accrued liabilities	2,810	-	-	-	4,268
Unearned revenue	-	-	-	-	99,668
Accounts payable from restricted assets	11,741	-	-	-	48,054
Other payables from restricted assets	-	-	21,824	-	-
Total liabilities	<u>14,551</u>	<u>10,000</u>	<u>21,824</u>	<u>-</u>	<u>151,990</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	-	-	-	-
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	-
Restricted					
Stabilization by State Statute	81,578	173,963	-	-	203,782
Public housing	113,836	-	-	-	-
Public safety	-	-	-	-	29,155
Library	-	-	-	-	-
Streets	-	-	-	-	-
Committed					
Public housing	-	816,901	22,050	30,535	-
Economic development	-	-	-	-	-
Assigned					
Subsequent year's expenditures	-	-	-	-	-
Unassigned	(81,578)	(173,963)	-	-	(203,782)
Total fund balances	<u>113,836</u>	<u>816,901</u>	<u>22,050</u>	<u>47,073</u>	<u>29,155</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 128,387</u>	<u>\$ 826,901</u>	<u>\$ 43,874</u>	<u>\$ 47,073</u>	<u>\$ 181,145</u>

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Affordable			Comparative Totals	
	Downtown	Housing	Library		
	Service	Development	Library	2017	2016
	District	Reserve Fund	Gift Fund		
ASSETS					
Cash and cash equivalents	\$ 94,299	\$ 1,060,385	\$ -	\$ 2,034,170	\$ 573,545
Receivables:					
Governmental units and agencies	-	-	-	205,048	408,451
Property taxes, net	5,672	-	-	5,672	4,571
Other	16,991	-	-	16,991	123,052
Inventories	-	-	-	16,538	16,538
Restricted cash and cash equivalents	-	-	332,394	458,702	135,315
TOTAL ASSETS	\$ 116,962	\$ 1,060,385	\$ 332,394	\$ 2,737,121	\$ 1,261,472
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 59,699
Accounts payable	6,137	-	-	16,137	59,410
Accrued liabilities	1,041	-	-	8,119	6,217
Unearned revenue	-	-	-	99,668	138,845
Accounts payable from restricted assets	-	-	16,735	76,530	62,551
Other payables from restricted assets	-	-	-	21,824	17,681
Total liabilities	7,178	-	16,735	222,278	344,403
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	5,672	-	-	5,672	4,571
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	16,538
Restricted					
Stabilization by State Statute	16,991	-	50,424	526,738	821,966
Public housing	-	-	-	113,836	113,836
Public safety	-	-	-	29,155	37,548
Library	-	-	315,659	315,659	157,533
Streets	-	-	-	-	10,262
Committed					
Public housing	-	1,060,385	-	1,929,871	480,562
Economic development	104,112	-	-	104,112	65,479
Assigned					
Subsequent year's expenditures	-	-	-	-	30,740
Unassigned	(16,991)	-	(50,424)	(526,738)	(821,966)
Total fund balances	104,112	1,060,385	315,659	2,509,171	912,498
TOTAL LIABILITIES AND FUND BALANCES	\$ 116,962	\$ 1,060,385	\$ 332,394	\$ 2,737,121	\$ 1,261,472

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2017	2016
ASSETS						
Cash and cash equivalents	\$ 2,774,503	\$ -	\$ -	\$ -	\$ 2,774,503	\$ 3,027,323
Due from governmental units and agencies	72,198	-	6,274	155,000	233,472	238,582
Restricted cash and cash equivalents	-	215,525	16,926	10,935	243,386	251,767
TOTAL ASSETS	\$ 2,846,701	\$ 215,525	\$ 23,200	\$ 165,935	\$ 3,251,361	\$ 3,517,672
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 4,416	\$ 4,416	\$ 130,413
Accounts payable	35,076	-	-	144,065	179,141	322,025
Unearned revenue	-	-	15,767	-	15,767	20,538
Accounts payable from restricted assets	-	-	7,433	10,935	18,368	17,423
Total liabilities	35,076	-	23,200	159,416	217,692	490,399
FUND BALANCES						
Restricted						
Stabilization by State Statute	430,122	-	508,043	155,000	1,093,165	1,248,237
Public housing	-	-	-	10,935	10,935	16,003
Transit capital purchases	-	-	16,926	-	16,926	20,538
Infrastructure capital projects	-	215,525	-	-	215,525	215,226
Committed						
Municipal buildings capital projects	129,969	-	-	-	129,969	549,273
Infrastructure capital projects	115,000	-	-	-	115,000	-
Parks capital projects	166,572	-	-	-	166,572	-
Technology capital projects	400,000	-	-	-	400,000	-
Fire capital projects	1,013,367	-	-	-	1,013,367	502,675
Assigned						
Subsequent expenditures	-	-	-	-	-	25,674
Municipal buildings capital projects	259,633	-	-	-	259,633	721,282
Parks capital projects	296,962	-	-	-	296,962	110,193
Technology capital projects	-	-	-	-	-	43,800
Unassigned	-	-	(524,969)	(159,416)	(684,385)	(425,628)
Total fund balances	2,811,625	215,525	-	6,519	3,033,669	3,027,273
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,846,701	\$ 215,525	\$ 23,200	\$ 165,935	\$ 3,251,361	\$ 3,517,672

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2017	2016
REVENUES				
Taxes	\$ -	\$ 278,262	\$ 278,262	\$ 287,939
Intergovernmental revenues				
Federal government	370,007	625,110	995,117	1,046,949
State government	66,520	44,778	111,298	14,247
Other	4,771	176,677	181,448	27,212
Interest on investments	3,481	1,222	4,703	4,499
Franchise rental fees	57,963	-	57,963	70,081
Program income	22,512	24,086	46,598	40,926
Donations	-	334,124	334,124	336,150
Revenue in lieu	141,709	455,600	597,309	-
Other	6,944	700	7,644	2,599
Total revenues	673,907	1,940,559	2,614,466	1,830,602
EXPENDITURES				
Environment and development	-	1,701,479	1,701,479	1,073,287
Public safety	-	99,042	99,042	52,066
Leisure activities	-	224,900	224,900	485,863
Capital projects	1,723,389	-	1,723,389	3,017,347
Total expenditures	1,723,389	2,025,421	3,748,810	4,628,563
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,049,482)	(84,862)	(1,134,344)	(2,797,961)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	3,142,503
Transfer from other funds	1,505,878	1,726,535	3,232,413	915,718
Transfer to other funds	(450,000)	(45,000)	(495,000)	(2,553,206)
Total other financing sources (uses)	1,055,878	1,681,535	2,737,413	1,505,015
NET CHANGE IN TOTAL FUND BALANCES	6,396	1,596,673	1,603,069	(1,292,946)
FUND BALANCES, BEGINNING	3,027,273	912,498	3,939,771	5,232,717
FUND BALANCES, ENDING	\$ 3,033,669	\$ 2,509,171	\$ 5,542,840	\$ 3,939,771

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund	Grants Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal government	283,712	-	-	-	247,787
State government	-	-	-	-	44,778
Other	-	-	-	-	63,177
Interest on investments	-	712	57	43	-
Program income	7,339	-	16,747	-	-
Donations	-	-	-	-	-
Revenue in lieu	-	455,600	-	-	-
Other	-	-	5	-	-
Total revenues	291,051	456,312	16,809	43	355,742
EXPENDITURES					
Environment and development	291,051	72,130	12,110	-	356,705
Public safety	-	-	-	-	99,042
Leisure activities	-	-	-	-	-
Total expenditures	291,051	72,130	12,110	-	455,747
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	384,182	4,699	43	(100,005)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	81,350
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	81,350
NET CHANGE IN TOTAL FUND BALANCES	-	384,182	4,699	43	(18,655)
FUND BALANCES, BEGINNING	113,836	432,719	17,351	47,030	47,810
FUND BALANCES, ENDING	\$ 113,836	\$ 816,901	\$ 22,050	\$ 47,073	\$ 29,155

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Affordable			Comparative Totals	
	Downtown Service District	Housing Development Reserve Fund	Library Gift Fund	2017	2016
REVENUES					
Taxes	\$ 278,262	\$ -	\$ -	\$ 278,262	\$ 287,939
Intergovernmental revenues					
Federal government	-	-	93,611	625,110	621,560
State government	-	-	-	44,778	14,247
Other	113,500	-	-	176,677	24,483
Interest on investments	119	-	291	1,222	837
Program income	-	-	-	24,086	18,688
Donations	-	-	334,124	334,124	336,150
Revenue in lieu	-	-	-	455,600	-
Other	695	-	-	700	1,310
Total revenues	392,576	-	428,026	1,940,559	1,305,214
EXPENDITURES					
Environment and development	384,683	584,800	-	1,701,479	1,073,287
Public safety	-	-	-	99,042	52,066
Leisure activities	-	-	224,900	224,900	485,863
Total expenditures	384,683	584,800	224,900	2,025,421	1,611,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,893	(584,800)	203,126	(84,862)	(306,002)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	1,645,185	-	1,726,535	98,543
Transfers to other funds	-	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	-	1,645,185	(45,000)	1,681,535	53,543
NET CHANGE IN TOTAL FUND BALANCES	7,893	1,060,385	158,126	1,596,673	(252,459)
FUND BALANCES, BEGINNING	96,219	-	157,533	912,498	1,164,957
FUND BALANCES, ENDING	\$ 104,112	\$ 1,060,385	\$ 315,659	\$ 2,509,171	\$ 912,498

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2017	2016
REVENUES						
Intergovernmental revenues						
Federal government	\$ 73,555	\$ -	\$ 104,397	\$ 192,055	\$ 370,007	\$ 425,389
State government	66,520	-	-	-	66,520	-
Other	-	-	4,771	-	4,771	2,729
Interest on investments	3,182	299	-	-	3,481	3,662
Franchise rental fees	57,963	-	-	-	57,963	70,081
Program income	22,512	-	-	-	22,512	22,238
Revenue in lieu	141,709	-	-	-	141,709	-
Other	-	-	-	6,944	6,944	1,289
Total revenues	365,441	299	109,168	198,999	673,907	525,388
EXPENDITURES						
Capital projects:						
Municipal facilities	812,830	-	-	205,982	1,018,812	446,462
Street improvements and sidewalks	185,501	-	-	-	185,501	106,319
Parks, recreation and open space	224,674	-	-	-	224,674	705,501
Technology and communications	71,173	-	-	-	71,173	925,524
Public safety	88,333	-	-	-	88,333	636,424
Transit equipment and improvements	-	-	134,896	-	134,896	197,117
Total expenditures	1,382,511	-	134,896	205,982	1,723,389	3,017,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,017,070)	299	(25,728)	(6,983)	(1,049,482)	(2,491,959)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	-	-	3,142,503
Transfer from other funds	1,480,150	-	25,728	-	1,505,878	817,175
Transfer to other funds	(450,000)	-	-	-	(450,000)	(2,508,206)
Total other financing sources (uses)	1,030,150	-	25,728	-	1,055,878	1,451,472
NET CHANGE IN TOTAL FUND BALANCES	13,080	299	-	(6,983)	6,396	(1,040,487)
FUND BALANCES, BEGINNING	2,798,545	215,226	-	13,502	3,027,273	4,067,760
FUND BALANCES, ENDING	\$ 2,811,625	\$ 215,525	\$ -	\$ 6,519	\$ 3,033,669	\$ 3,027,273

INTERNAL SERVICE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2017	2016
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,135,722	\$ 454,827	\$ 529,439	\$ 3,119,988	\$ 3,144,384
Accounts receivable	-	18,597	-	18,597	17,304
Inventories	-	60,734	-	60,734	37,230
Restricted cash and cash equivalents	-	-	-	-	892,937
Total current assets	2,135,722	534,158	529,439	3,199,319	4,091,855
NONCURRENT ASSETS					
Capital assets, net of depreciation	4,054,403	31,408	-	4,085,811	3,792,905
Total noncurrent assets	4,054,403	31,408	-	4,085,811	3,792,905
TOTAL ASSETS	6,190,125	565,566	529,439	7,285,130	7,884,760
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	-	114,582	-	114,582	29,812
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	268,043	47,796	-	315,839	156,742
Accrued liabilities	-	10,527	-	10,527	9,120
Compensated absences	-	27,640	-	27,640	16,813
Installment purchase agreements	629,009	-	-	629,009	867,474
Total current liabilities	897,052	85,963	-	983,015	1,050,149
NONCURRENT LIABILITIES					
Compensated absences	-	3,978	-	3,978	16,511
Other postemployment benefits	-	389,120	-	389,120	361,756
Net pension liability	-	119,832	-	119,832	19,889
Installment purchase agreements	717,260	-	-	717,260	1,346,279
Total noncurrent liabilities	717,260	512,930	-	1,230,190	1,744,435
TOTAL LIABILITIES	1,614,312	598,893	-	2,213,205	2,794,584
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	-	23,072	-	23,072	32,490
NET POSITION					
Net investment in capital assets	2,708,134	31,408	-	2,739,542	2,472,089
Unrestricted	1,867,679	26,775	529,439	2,423,893	2,615,409
TOTAL NET POSITION	\$ 4,575,813	\$ 58,183	\$ 529,439	\$ 5,163,435	\$ 5,087,498

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2017	2016
OPERATING REVENUES					
Charges for services	\$ 1,158,666	\$ 1,431,824	\$ 133,125	\$ 2,723,615	\$ 2,964,133
OPERATING EXPENSES					
Depreciation and amortization	1,213,695	2,416	-	1,216,111	1,163,253
Personnel	-	612,960	-	612,960	582,004
Operations	10,441	817,835	90,908	919,184	977,081
Total operating expenses	1,224,136	1,433,211	90,908	2,748,255	2,722,338
OPERATING INCOME (LOSS)	(65,470)	(1,387)	42,217	(24,640)	241,795
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	19,194	-	19,194	19,247
Interest on investments	3,576	629	706	4,911	5,900
Interest expense	(39,349)	-	-	(39,349)	(58,820)
Gain on sale of capital assets	115,821	-	-	115,821	43,247
Total nonoperating revenues (expenses), net	80,048	19,823	706	100,577	9,574
CHANGE IN NET POSITION	14,578	18,436	42,923	75,937	251,369
NET POSITION, BEGINNING	4,561,235	39,747	486,516	5,087,498	4,836,129
NET POSITION, ENDING	\$ 4,575,813	\$ 58,183	\$ 529,439	\$ 5,163,435	\$ 5,087,498

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,402,969	\$ 1,430,531	\$ 133,125	\$ 2,966,625	\$ 2,967,594
Payments to employees	-	(580,140)	-	(580,140)	(531,644)
Payments to suppliers	(10,441)	(926,545)	(90,908)	(1,027,894)	(1,405,379)
Net cash provided by (used in) operating activities	1,392,528	(76,154)	42,217	1,358,591	1,030,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on installment purchase agreements	(867,484)	-	-	(867,484)	(848,013)
Interest paid on installment purchase agreements	(39,349)	-	-	(39,349)	(58,820)
Proceeds from sale of capital assets	115,821	-	-	115,821	43,247
Proceeds from insurance recovery	-	19,194	-	19,194	19,247
Acquisition and construction of capital assets	(1,475,193)	(33,824)	-	(1,509,017)	(872,768)
Net cash provided by (used in) capital and related financing activities	(2,266,205)	(14,630)	-	(2,280,835)	(1,717,107)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	3,576	629	706	4,911	5,900
Net cash provided by investing activities	3,576	629	706	4,911	5,900

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 (With Comparative Totals as of June 30, 2016)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2017	2016
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(870,101)	(90,155)	42,923	(917,333)	(680,636)
CASH AND INVESTMENTS, BEGINNING	3,005,823	544,982	486,516	4,037,321	4,717,957
CASH AND INVESTMENTS, ENDING	<u>\$ 2,135,722</u>	<u>\$ 454,827</u>	<u>\$ 529,439</u>	<u>\$ 3,119,988</u>	<u>\$ 4,037,321</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (65,470)	\$ (1,387)	\$ 42,217	\$ (24,640)	\$ 241,795
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,213,695	2,416	-	1,216,111	1,163,253
Changes in assets and liabilities:					
Receivables	-	(1,293)	-	(1,293)	3,461
Inventories	-	(23,504)	-	(23,504)	26,683
Accounts payable	244,303	(85,206)	-	159,097	(454,981)
Accrued liabilities	-	1,407	-	1,407	750
Compensated absences	-	(1,706)	-	(1,706)	10,538
Accrued OPEB liability	-	27,364	-	27,364	49,430
Deferred outflows of resources for pensions	-	5,755	-	5,755	(10,358)
Net cash provided by operating activities	<u>\$ 1,392,528</u>	<u>\$ (76,154)</u>	<u>\$ 42,217</u>	<u>\$ 1,358,591</u>	<u>\$ 1,030,571</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 29,370,000	\$ 29,370,000	\$ 29,111,116	\$ (258,884)
Ad valorem taxes - prior years	115,000	115,000	95,993	(19,007)
Interest on delinquent taxes	50,000	50,000	64,601	14,601
Interest on state held taxes	-	-	1,577	1,577
Local option sales taxes	12,790,797	12,790,797	12,673,856	(116,941)
Occupancy tax	1,160,000	1,160,000	1,187,510	27,510
Other taxes	64,000	64,000	77,403	13,403
Total taxes	43,549,797	43,549,797	43,212,056	(337,741)
Licenses and permits				
Motor vehicles	450,000	450,000	451,196	1,196
Privilege licenses	4,700	4,700	5,458	758
Building permits	1,495,500	1,495,500	1,476,738	(18,762)
Special use permits	504,990	504,990	206,255	(298,735)
Work zone traffic permits	35,000	35,000	57,050	22,050
Engineering permits	32,000	32,000	32,019	19
Fire inspection fees	110,793	110,793	70,920	(39,873)
Traffic impact study and fees	102,000	102,000	60,411	(41,589)
Police permits	40,100	40,100	53,858	13,758
Fire permits	110,675	110,675	72,024	(38,651)
Total licenses and permits	2,885,758	2,885,758	2,485,929	(399,829)
Fines and forfeitures				
Garbage citations and leash law fees	1,900	1,900	1,575	(325)
Parking tickets and towing fees	29,700	29,700	23,615	(6,085)
False alarm fees	15,000	15,000	35,926	20,926
Total fines and forfeitures	46,600	46,600	61,116	14,516

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
USDOJ Equitable Sharing - Drug	\$ 13,000	\$ 13,000	\$ -	\$ (13,000)
Total federal government	13,000	13,000	-	(13,000)
State of North Carolina				
Beer and wine tax	275,000	275,000	269,783	(5,217)
Fuel tax (Powell Bill) funds	1,490,000	1,490,000	1,462,973	(27,027)
State fire protection	1,097,590	1,097,590	1,115,488	17,898
Utility franchise tax	4,400,000	4,400,000	4,168,024	(231,976)
Video programming tax	700,000	700,000	676,296	(23,704)
Supplemental PEG support	84,000	84,000	82,758	(1,242)
Solid waste disposal tax	33,000	33,000	40,037	7,037
State library aid	28,715	28,715	28,064	(651)
NC Department of Public Safety	-	-	25,659	25,659
NC Department of Agriculture	-	-	17,770	17,770
NCDOT Reimbursement grant	100,000	100,000	-	(100,000)
State Equitable Sharing - Drug	6,000	6,000	9,039	3,039
Total State of North Carolina	8,214,305	8,214,305	7,895,891	(318,414)
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	568,139	568,139	568,139	-
Carrboro contribution	-	9,500	9,500	-
Miscellaneous local grants	-	10,000	-	(10,000)
Total other	651,899	671,399	661,399	(10,000)
Total intergovernmental revenues	8,879,204	8,898,704	8,557,290	(341,414)

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 161,857	\$ 161,857	\$ 123,125	\$ (38,732)
Library delinquent collection fees	4,778	4,778	5,600	822
Street cuts and right of way	50,000	50,000	148,881	98,881
Traffic signals	260,000	260,000	333,404	73,404
Rent revenue	300,792	300,792	267,150	(33,642)
Cemetery staking	3,500	3,500	2,525	(975)
Local fire training fee	2,132	2,132	-	(2,132)
Fire districts	272,154	272,154	278,550	6,396
Solid waste collection	372,159	372,159	440,850	68,691
Planning review	493,480	493,480	529,870	36,390
Engineering review	25,000	25,000	15,621	(9,379)
Recreation	783,904	783,904	724,773	(59,131)
Charges to other funds	1,456,380	1,456,380	1,319,781	(136,599)
	<u>4,186,136</u>	<u>4,186,136</u>	<u>4,190,130</u>	<u>3,994</u>
Total charges for services				
Interest on investments	25,000	25,000	39,099	14,099
Other				
Sales - planning and documents	20,135	20,135	26,507	6,372
Sales - capital assets	5,000	5,000	18,842	13,842
Sales - fuel	10,000	10,000	6,241	(3,759)
Sales - miscellaneous	6,000	6,000	14,405	8,405
Cemetery lot sales	20,000	20,000	12,025	(7,975)
Court fees	25,000	25,000	27,758	2,758
Mutual aid reimbursements	457,920	457,920	539,310	81,390
Gifts and donations	83,000	87,453	58,906	(28,547)
Revenue in lieu	-	55,000	44,491	(10,509)
Insurance recovery	10,000	10,000	55,356	45,356
Miscellaneous	77,900	77,900	103,928	26,028
	<u>714,955</u>	<u>774,408</u>	<u>907,769</u>	<u>133,361</u>
Total other revenues				
TOTAL REVENUES	<u>60,287,450</u>	<u>60,366,403</u>	<u>59,453,389</u>	<u>(913,014)</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 440,634	\$ 440,597	\$ 415,963	\$ 24,634
Manager/CaPA	2,385,959	2,511,780	2,169,357	342,423
Human Resources	1,684,747	2,002,286	1,702,071	300,215
Business Management	2,102,382	2,104,057	1,991,563	112,494
Technology Solutions	1,898,579	1,945,842	1,595,918	349,924
Attorney	339,184	339,222	326,825	12,397
Total general government	<u>8,851,485</u>	<u>9,343,784</u>	<u>8,201,697</u>	<u>1,142,087</u>
Environment and development				
Planning and Sustainability	2,290,930	2,809,157	2,047,675	761,482
Inspections	1,578,037	1,586,431	1,349,095	
Housing and Community	720,525	746,806	725,406	21,400
Public Works	12,258,544	13,365,604	12,954,461	411,143
Total environment and development	<u>16,848,036</u>	<u>18,507,998</u>	<u>17,076,637</u>	<u>1,194,025</u>
Public safety				
Police	13,377,095	13,505,933	11,803,721	1,702,212
Fire	9,285,178	9,427,781	8,742,713	685,068
Total public safety	<u>22,662,273</u>	<u>22,933,714</u>	<u>20,546,434</u>	<u>2,387,280</u>
Leisure activities				
Parks and recreation	7,122,261	7,283,216	6,883,247	399,969
Library	3,051,954	3,167,117	2,915,806	251,311
Total leisure activities	<u>10,174,215</u>	<u>10,450,333</u>	<u>9,799,053</u>	<u>651,280</u>
Nondepartmental				
Liability insurance	400,000	400,000	388,653	11,347
Supplemental PEG expense	210,000	210,000	186,783	23,217
Contributions to agencies	1,095,057	1,221,168	1,193,926	27,242
Contribution to OPEB liability	525,000	2,783,000	2,783,000	-
Retiree medical insurance	1,118,000	1,118,000	1,252,525	(134,525)
General government	1,294,802	592,322	140,945	451,377
Reserve for lapsed salary	(1,000,000)	(1,000,000)	-	(1,000,000)
Total nondepartmental	<u>3,642,859</u>	<u>5,324,490</u>	<u>5,945,832</u>	<u>(621,342)</u>
Total expenditures	<u>62,178,868</u>	<u>66,560,319</u>	<u>61,569,653</u>	<u>4,990,666</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,891,418)	(6,193,916)	(2,116,264)	4,077,652
OTHER FINANCING SOURCES (USES)				
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Afford Hsg Develop Reserve Fund	-	(1,645,185)	(1,645,185)	-
Transfer to Stormwater Fund	(6,500)	(6,984)	(6,984)	-
Transfer to Capital Projects Ordinance Fund	-	(3,740,737)	(3,651,025)	89,712
Transfer to Capital Projects Fund	(778,000)	(778,000)	(778,000)	-
Transfer to Grants Fund	(75,632)	(88,647)	(81,350)	7,297
Appropriated fund balance	<u>2,706,550</u>	<u>12,408,469</u>	<u>-</u>	<u>(12,408,469)</u>
Total other financing sources (uses)	<u>1,891,418</u>	<u>6,193,916</u>	<u>(6,117,544)</u>	<u>(12,311,460)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(8,233,808)	<u>\$ (8,233,808)</u>
FUND BALANCE, BEGINNING			<u>32,743,780</u>	
FUND BALANCE, ENDING			<u>\$ 24,509,972</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 6,430,000	\$ 6,430,000	\$ 6,377,332	\$ (52,668)
Ad valorem taxes - prior years	13,000	13,000	15,881	2,881
Intergovernmental revenues:				
Federal government	169,200	169,200	170,005	805
Interest on investments	7,750	7,750	16,173	8,423
	<u>6,619,950</u>	<u>6,619,950</u>	<u>6,579,391</u>	<u>(40,559)</u>
Total revenues				
EXPENDITURES				
Debt service:				
Principal	5,030,000	5,030,000	5,030,000	-
Interest and fiscal charges	2,025,240	2,025,240	2,025,209	31
	<u>7,055,240</u>	<u>7,055,240</u>	<u>7,055,209</u>	<u>31</u>
Total expenditures				
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(435,290)	(435,290)	(475,818)	(40,528)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	908,832	908,832	908,831	(1)
Contribution to reserve	(473,542)	(473,542)	-	473,542
	<u>435,290</u>	<u>435,290</u>	<u>908,831</u>	<u>473,541</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	433,013	\$ 433,013
FUND BALANCES, BEGINNING			<u>6,615,510</u>	
FUND BALANCES, ENDING			<u>\$ 7,048,523</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project		Actual	
	Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 3,044,343	\$ 3,057,165	\$ 32,396	\$ 3,089,561
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,510,498	1,510,498	-	1,510,498
Federal Transit Administration Grants	2,254,853	1,467,534	291,226	1,758,760
U.S. DOE SEEA Grant	777,672	777,672	-	777,672
Other Federal Grants	1,739,973	919,826	419,524	1,339,350
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	2,481,777	1,739,925	25,990	1,765,915
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	725,121	86,971	139,841	226,812
Orange County parks bonds	8,482,520	8,482,520	-	8,482,520
Other Grants	1,219,721	1,192,657	-	1,192,657
Charges for services	268,005	268,005	-	268,005
Donations	813,993	813,928	-	813,928
Revenue in lieu	278,966	184,653	101,318	285,971
Other	2,311,651	2,298,257	16,591	2,314,848
Total revenues	26,821,958	23,768,341	1,026,886	24,795,227
EXPENDITURES				
Parks, recreation, library and open space capital improvements	62,732,685	51,040,584	9,344,421	60,385,005
Public safety capital improvements	5,569,834	2,834,092	616,061	3,450,153
Public works facility	31,083,380	30,919,187	75,344	30,994,531
Public safety facility	1,692,474	91,056	96,423	187,479
Municipal facilities	11,732,320	10,029,209	1,184,046	11,213,255
Sewer capital improvements	1,456,853	396,729	-	396,729
Software development	300,000	274,798	-	274,798
Street and sidewalk improvements	22,677,396	11,657,886	6,685,603	18,343,489
Total expenditures	137,244,942	107,243,541	18,001,898	125,245,439
DEFICIENCY OF REVENUES OVER EXPENDITURES	(110,422,984)	(83,475,200)	(16,975,012)	(100,450,212)

Continued

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	62,437,894	52,071,876	14,760,000	66,831,876
Proceeds from financing	37,101,426	37,098,230	-	37,098,230
Premium on debt	769,794	-	720,484	720,484
Transfer from General Fund	8,654,096	5,003,071	3,651,025	8,654,096
Transfer from Capital Projects Fund	1,492,096	1,042,095	450,000	1,492,095
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	454,475	454,475	-	454,475
Transfer from Stormwater Fund	122,815	122,815	-	122,815
Transfer to Capital Projects Fund	(787,078)	(84,928)	(702,150)	(787,078)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>110,422,984</u>	<u>95,862,019</u>	<u>18,879,359</u>	<u>114,741,378</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 12,386,819</u>	1,904,347	<u>\$ 14,291,166</u>
FUND BALANCE, BEGINNING			<u>12,386,819</u>	
FUND BALANCE, ENDING			<u>\$ 14,291,166</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal government	\$ -	\$ -	\$ 73,555	\$ 73,555
State government	-	69,000	66,520	(2,480)
Interest on investments	2,500	2,500	3,182	682
Franchise rental fees	70,000	70,000	57,963	(12,037)
Program income	22,260	22,260	22,512	252
Revenue in lieu	-	141,709	141,709	-
	<u>94,760</u>	<u>305,469</u>	<u>365,441</u>	<u>59,972</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	322,260	1,114,816	812,830	301,986
Street improvements and sidewalks	75,000	215,799	185,501	30,298
Parks, recreation and open space	330,000	581,902	224,674	357,228
Technology and communications	71,174	71,174	71,173	1
Public safety	100,000	1,102,675	88,333	1,014,342
	<u>898,434</u>	<u>3,086,366</u>	<u>1,382,511</u>	<u>1,703,855</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(803,674)</u>	<u>(2,780,897)</u>	<u>(1,017,070)</u>	<u>1,763,827</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	778,000	778,000	778,000	-
Transfer from Capital Projects Ordinance Fund	-	702,150	702,150	-
Transfer to Capital Projects Ordinance Fund	-	(450,000)	(450,000)	-
Transfer to Parking Facilities Fund	-	(515,000)	-	515,000
Appropriated fund balance	25,674	2,265,747	-	(2,265,747)
	<u>803,674</u>	<u>2,780,897</u>	<u>1,030,150</u>	<u>(1,750,747)</u>
NET CHANGE IN TOTAL FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	13,080	<u>\$ 13,080</u>
FUND BALANCE, BEGINNING			<u>2,798,545</u>	
FUND BALANCE, ENDING			<u>\$ 2,811,625</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 240	\$ 240	\$ 299	\$ 59
Total revenues	<u>240</u>	<u>240</u>	<u>299</u>	<u>59</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>240</u>	<u>240</u>	<u>299</u>	<u>59</u>
OTHER FINANCING USES				
Contribution to reserve	<u>(240)</u>	<u>(240)</u>	<u>-</u>	<u>240</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>299</u>	<u>\$ 299</u>
FUND BALANCE, BEGINNING			<u>215,226</u>	
FUND BALANCE, ENDING			<u>\$ 215,525</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 1,667,437	\$ 1,043,802	\$ 104,397	\$ 1,148,199
State government	123,327	8,851	-	8,851
Other	260,606	235,359	4,771	240,130
	<u>2,051,370</u>	<u>1,288,012</u>	<u>109,168</u>	<u>1,397,180</u>
EXPENDITURES				
Bus purchases	579,296	-	98,334	98,334
Equipment and improvements	410,000	362,959	-	362,959
Administration	1,360,141	1,182,063	36,562	1,218,625
	<u>2,349,437</u>	<u>1,545,022</u>	<u>134,896</u>	<u>1,679,918</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(298,067)</u>	<u>(257,010)</u>	<u>(25,728)</u>	<u>(282,738)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	298,067	257,010	25,728	282,738
	<u>298,067</u>	<u>257,010</u>	<u>25,728</u>	<u>282,738</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PUBLIC HOUSING PROJECTS - CAPITAL FUND GRANTS
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2013	444,974	252,973	155,000	407,973
Capital Grant 2014	449,057	49,754	6,896	56,650
Capital Grant 2015	454,460	23,829	30,159	53,988
Capital Grant 2016	521,212	-	-	-
Total federal government	1,869,703	326,556	192,055	518,611
Other revenues	44,620	37,676	6,944	44,620
Total revenues	1,914,323	364,232	198,999	563,231
EXPENDITURES				
Environment and development	1,914,323	350,730	205,982	556,712
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 13,502	(6,983)	\$ 6,519
FUND BALANCE, BEGINNING			13,502	
FUND BALANCE, ENDING			\$ 6,519	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL -
 COMMUNITY DEVELOPMENT ENTITLEMENT GRANT PROJECTS ORDINANCE FUND
 FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Block Grant 14	\$ 403,505	\$ 403,505	\$ -	\$ 403,505
Block Grant 15	404,761	154,509	250,252	404,761
Block Grant 16	387,702	-	33,460	33,460
Program income	<u>22,015</u>	<u>14,677</u>	<u>7,339</u>	<u>22,016</u>
Total revenues	<u>1,217,983</u>	<u>572,691</u>	<u>291,051</u>	<u>863,742</u>
EXPENDITURES				
Public improvement	390,487	27,203	2,550	29,753
Neighborhood revitalization	493,509	239,963	158,405	398,368
Administration	200,319	97,030	95,118	192,148
Community services	<u>133,668</u>	<u>94,659</u>	<u>34,978</u>	<u>129,637</u>
Total expenditures	<u>1,217,983</u>	<u>458,855</u>	<u>291,051</u>	<u>749,906</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 113,836</u>	-	<u>\$ 113,836</u>
FUND BALANCE, BEGINNING			<u>113,836</u>	
FUND BALANCE, ENDING			<u>\$ 113,836</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 44,740	\$ 46,617	\$ 712	\$ 47,329
Program income	650,799	650,800	-	650,800
Revenue in lieu	<u>2,186,560</u>	<u>1,780,960</u>	<u>455,600</u>	<u>2,236,560</u>
Total revenues	<u>2,882,099</u>	<u>2,478,377</u>	<u>456,312</u>	<u>2,934,689</u>
EXPENDITURES				
Environment and development	<u>3,037,877</u>	<u>2,201,437</u>	<u>72,130</u>	<u>2,273,567</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(155,778)</u>	<u>276,940</u>	<u>384,182</u>	<u>661,122</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>155,778</u>	<u>155,779</u>	<u>-</u>	<u>155,779</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 432,719</u>	<u>384,182</u>	<u>\$ 816,901</u>
FUND BALANCE, BEGINNING			<u>432,719</u>	
FUND BALANCE, ENDING			<u>\$ 816,901</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TRANSITIONAL HOUSING FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	653	57	710
Program income	115,534	104,180	16,747	120,927
Other	-	300	5	305
	<u>476,413</u>	<u>345,909</u>	<u>16,809</u>	<u>362,718</u>
EXPENDITURES				
Environment and development	<u>493,913</u>	<u>346,058</u>	<u>12,110</u>	<u>358,168</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(149)</u>	<u>4,699</u>	<u>4,550</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 17,351</u>	<u>4,699</u>	<u>\$ 22,050</u>
FUND BALANCE, BEGINNING			<u>17,351</u>	
FUND BALANCE, ENDING			<u>\$ 22,050</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LAND TRUST FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,855	43	1,898
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,903</u>	<u>43</u>	<u>481,946</u>
Total revenues				
	<u>231,250</u>	<u>481,903</u>	<u>43</u>	<u>481,946</u>
EXPENDITURES				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 47,030</u>	<u>43</u>	<u>\$ 47,073</u>
FUND BALANCE, BEGINNING			<u>47,030</u>	
FUND BALANCE, ENDING			<u>\$ 47,073</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	\$ 256,707	\$ 332,460	\$ 247,787	\$ (84,673)
State government	17,150	35,711	44,778	9,067
Other	8,656	191,594	63,177	(128,417)
Total revenues	<u>282,513</u>	<u>559,765</u>	<u>355,742</u>	<u>(204,023)</u>
EXPENDITURES				
Environment and development	358,145	433,353	356,705	76,648
Public safety	-	240,476	99,042	141,434
Total expenditures	<u>358,145</u>	<u>673,829</u>	<u>455,747</u>	<u>218,082</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(75,632)</u>	<u>(114,064)</u>	<u>(100,005)</u>	<u>14,059</u>
OTHER FINANCING SOURCES				
Transfer from other funds	75,632	88,647	81,350	(7,297)
Appropriated fund balance	-	25,417	-	(25,417)
Total other financing sources	<u>75,632</u>	<u>114,064</u>	<u>81,350</u>	<u>(32,714)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(18,655)</u>	<u>\$ (18,655)</u>
FUND BALANCE, BEGINNING			<u>47,810</u>	
FUND BALANCE, ENDING			<u>\$ 29,155</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 280,000	\$ 280,000	\$ 277,635	\$ (2,365)
Interest on delinquent taxes	1,000	1,000	627	(373)
Intergovernmental revenues - other	40,000	73,500	113,500	40,000
Interest on investments	-	-	119	119
Other	833	833	695	(138)
Total revenues	321,833	355,333	392,576	37,243
EXPENDITURES				
Environment and development	352,573	386,073	384,683	1,390
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(30,740)	(30,740)	7,893	38,633
OTHER FINANCING SOURCES				
Appropriated fund balance	30,740	30,740	-	(30,740)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	7,893	\$ 7,893
FUND BALANCE, BEGINNING			96,219	
FUND BALANCE, ENDING			\$ 104,112	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING DEVELOPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
Environment and development	\$ -	\$ 1,645,185	\$ 584,800	\$ 1,060,385
DEFICIENCY OF REVENUES OVER EXPENDITURES	-	(1,645,185)	(584,800)	1,060,385
OTHER FINANCING SOURCES				
Transfer from other funds	-	1,645,185	1,645,185	-
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,060,385	\$ 1,060,385
FUND BALANCE, BEGINNING			-	
FUND BALANCE, ENDING			\$ 1,060,385	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	\$ 96,997	\$ 96,997	\$ 93,611	\$ (3,386)
Interest on investments	-	-	291	291
Library donations	143,109	333,109	334,124	1,015
Total revenues	240,106	430,106	428,026	(2,080)
EXPENDITURES				
Leisure activities	195,106	457,705	224,900	232,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	45,000	(27,599)	203,126	230,725
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(45,000)	(45,000)	(45,000)	-
Appropriated fund balance	-	72,599	-	(72,599)
Total other financing sources (uses)	(45,000)	27,599	(45,000)	(72,599)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	158,126	\$ 158,126
FUND BALANCE, BEGINNING			157,533	
FUND BALANCE, ENDING			\$ 315,659	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 280,757	\$ (109,688)
Bus advertising	163,132	163,132	89,199	(73,933)
Other	421,040	421,040	475,117	54,077
Total charges for services	<u>974,617</u>	<u>974,617</u>	<u>845,073</u>	<u>(129,544)</u>
OPERATING EXPENSES				
Personnel	12,523,885	12,455,322	12,250,271	205,051
Fuel and tires	1,616,056	1,600,129	1,165,563	434,566
Indirect costs	1,248,734	1,248,734	1,125,692	123,042
Building maintenance	792,347	793,832	603,914	189,918
Vehicle maintenance	1,705,155	2,056,524	1,524,182	532,342
Insurance	421,621	381,621	298,048	83,573
Advertising and marketing	157,422	139,422	94,455	44,967
Tarheel Express	303,088	302,288	214,435	87,853
Uniforms and supplies	156,893	158,193	316,770	(158,577)
Contracted services	96,453	337,800	294,313	43,487
Other	366,576	562,403	437,617	124,786
Total operating expenses	<u>19,388,230</u>	<u>20,036,268</u>	<u>18,325,260</u>	<u>1,711,008</u>
OPERATING LOSS	<u>(18,413,613)</u>	<u>(19,061,651)</u>	<u>(17,480,187)</u>	<u>1,581,464</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,012,871	2,184,211	3,799,067	1,614,856
State Operating Assistance Grant	2,543,330	3,197,932	3,385,614	187,682
Operating assistance-UNC Chapel Hill	7,156,583	7,156,583	7,231,584	75,001
Operating assistance-Town of Carrboro	1,455,008	1,455,008	1,455,012	4
Operating assistance - TTA Vehicle Fees	1,678,000	1,678,000	928,618	(749,382)
Vehicle licenses	454,350	454,350	450,034	(4,316)
Ad valorem taxes	3,854,300	3,854,300	3,835,838	(18,462)
Interest on investments	4,000	4,000	28,400	24,400
Insurance recovery	49,371	49,371	22,861	(26,510)
Capital outlay	(20,000)	(7,971,040)	(7,631,509)	339,531
Proceeds from sale of capital assets	12,300	12,300	24,559	12,259
Proceeds from Installment Financing	-	6,408,000	6,408,000	-
Contribution to reserve	(967,000)	(967,000)	-	967,000
Revenue in lieu	26,500	26,500	5,000	(21,500)
Appropriated fund balance	260,807	1,625,943	-	(1,625,943)
Total nonoperating revenues (expenses), net	<u>18,520,420</u>	<u>19,168,458</u>	<u>19,943,078</u>	<u>774,620</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>106,807</u>	<u>106,807</u>	<u>2,462,891</u>	<u>2,356,084</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers out	<u>(106,807)</u>	<u>(106,807)</u>	<u>(25,728)</u>	<u>81,079</u>
Total transfers	<u>(106,807)</u>	<u>(106,807)</u>	<u>(25,728)</u>	<u>81,079</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	2,437,163	<u>\$ 2,437,163</u>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(31,114)	
Accrued OPEB liability			(961,202)	
Proceeds from Installment Financing			(6,408,000)	
Pension Expense			(149,635)	
Capital outlay			7,631,509	
Depreciation and amortization			(3,922,760)	
Capital contributions			<u>98,334</u>	
Change in net position			<u>\$ (1,305,705)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,636,810	\$ 2,649,410	\$ 2,541,380	\$ (108,030)
OPERATING EXPENSES				
Personnel	905,986	844,155	801,819	42,336
Maintenance and repairs	96,238	97,997	100,073	(2,076)
Credit card fees	111,000	111,450	103,175	8,275
Lot rent	237,220	237,580	240,965	(3,385)
Indirect costs	89,669	89,669	80,230	9,439
Contracted services	71,700	117,559	110,368	7,191
Other	249,264	311,704	250,476	61,228
Total operating expenses	1,761,077	1,810,114	1,687,106	123,008
OPERATING INCOME	875,733	839,296	854,274	14,978
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,750	1,750	1,753	3
Insurance recovery	5,000	5,000	-	(5,000)
Capital outlay	-	(651,819)	(69,118)	582,701
Appropriated fund balance	26,349	199,605	-	(199,605)
Total nonoperating revenues (expenses), net	33,099	(445,464)	(67,365)	378,099
INCOME BEFORE TRANSFERS	908,832	393,832	786,909	393,077
TRANSFERS				
Transfers in	24,098	539,098	-	(539,098)
Transfers out	(932,930)	(932,930)	(908,831)	24,099
Total transfers	(908,832)	(393,832)	(908,831)	(514,999)
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(121,922)	\$ (121,922)
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			1,690	
Accrued OPEB liability			(62,230)	
Pension expense			(5,755)	
Capital outlay			69,118	
Depreciation and amortization			(77,150)	
Change in net position			\$ (196,249)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 907,293	\$ 907,293	\$ 944,681	\$ 37,388
OPERATING EXPENSES				
Personnel	1,165,617	1,166,617	847,829	318,788
Maintenance and repairs	502,991	514,830	477,953	36,877
Contracted services	343,590	232,084	40,567	191,517
Utilities	169,200	169,200	169,857	(657)
Other	225,884	350,261	195,972	154,289
Total operating expenses	2,407,282	2,432,992	1,732,178	700,814
OPERATING LOSS	(1,499,989)	(1,525,699)	(787,497)	738,202
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,130,127	1,130,127	956,462	(173,665)
Interest on investments	1,950	1,950	1,376	(574)
Capital outlay	(34,834)	(52,299)	(44,745)	7,554
Proceeds from sale of capital assets	-	-	2,471	2,471
Appropriated fund balance	402,746	445,921	-	(445,921)
Total nonoperating revenues (expenses), net	1,499,989	1,525,699	915,564	(610,135)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	128,067	\$ 128,067
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			714	
Accrued OPEB liability			(80,668)	
Pension Expense			(11,510)	
Capital outlay			44,745	
Depreciation and amortization			(637,067)	
Change in net position			\$ (555,719)	

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 28

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
111	Cash - unrestricted	\$ 3,181,169	\$ 10,935	3,192,104
114	Cash - tenant security deposits	79,194	-	79,194
100	Total cash	3,260,363	10,935	3,271,298
124	Accounts receivable - Other Governmental	-	155,000	155,000
126	Accounts receivable - Tenants dwelling rents	26,120	-	26,120
126.1	Allowance for doubtful accounts - Tenants dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	18,708	155,000	173,708
143	Inventories	45,428	-	45,428
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total inventories	43,967	-	43,967
150	TOTAL CURRENT ASSETS	3,323,038	165,935	3,488,973
NONCURRENT ASSETS:				
Capital assets:				
161	Land	2,038,178	-	2,038,178
162	Building	23,164,024	-	23,164,024
164	Furniture, Equipment, & Machinery -Administration	715,176	-	715,176
	Accumulated depreciation	(16,525,520)	-	(16,525,520)
166	Construction in progress	299,014	-	299,014
160	Total capital assets, net of accumulated depreciation	9,690,872	-	9,690,872
180	TOTAL NONCURRENT ASSETS	9,690,872	-	9,690,872
190	TOTAL ASSETS	13,013,910	165,935	13,179,845
DEFERRED OUTFLOWS OF RESOURCES:				
200	Contributions to pension plan	218,465	-	218,465
290	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,232,375	\$ 165,935	\$ 13,398,310
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 164,484	\$ 159,416	\$ 323,900
321	Accrued wage/payroll taxes payable	17,875	-	17,875
322	Accrued compensated absences - current portion	49,602	-	49,602
341	Tenant security deposits	79,879	-	79,879
310	TOTAL CURRENT LIABILITIES	311,840	159,416	471,256
357	Accrued pension and OPEB liabilities	1,028,839	-	1,028,839
350	TOTAL NON-CURRENT LIABILITIES	1,028,839	-	1,028,839
300	TOTAL LIABILITIES	1,340,679	159,416	1,500,095
DEFERRED INFLOWS OF RESOURCES:				
400	Pension deferrals	8,007	-	8,007
EQUITY:				
508	Investment in general capital assets	9,690,872	-	9,690,872
509	Restricted fund balance	-	6,519	6,519
512	Undesignated fund balance/retained earnings	2,192,817	-	2,192,817
513	TOTAL EQUITY	11,883,689	6,519	11,890,208
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 13,232,375	\$ 165,935	\$ 13,398,310

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 28

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 944,456	\$ -	\$ 944,456
705	Total tenant revenue	944,456	-	944,456
Other revenues:				
706.1	Capital Grants	956,462	192,055	1,148,517
711	Investment income - unrestricted	1,376	-	1,376
715	Other revenue	2,696	6,944	9,640
	Total other revenue	960,534	198,999	1,159,533
700	TOTAL REVENUE	1,904,990	198,999	2,103,989
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	232,535	27,946	260,481
915	Employee benefit contributions - administrative	219,506	8,110	227,616
919	Other operating - administrative	4,179	-	4,179
Tenant services:				
924	Tenant services-other	5,939	-	5,939
Utilities:				
931	Water	131,346	-	131,346
932	Electricity	35,150	-	35,150
933	Gas	3,361	-	3,361
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	334,992	-	334,992
942	Ordinary maintenance and operations - materials	254,489	-	254,489
943	Ordinary maintenance and operations - contract costs	226,523	-	226,523
945	Employee benefit contributions - ordinary maintenance	152,974	-	152,974
General expenses:				
961	Insurance premiums	82,909	-	82,909
962	Other general expenses	102,414	-	102,414
962.1	Compensated Absences	(714)	-	(714)
964	Bad debt - tenant rents	15,597	-	15,597
969	TOTAL OPERATING EXPENSES	1,801,200	36,056	1,837,256
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	103,790	162,943	266,733
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	22,442	169,926	192,368
974	Depreciation Expense	637,067	-	637,067
900	TOTAL EXPENSES	2,460,709	205,982	2,666,691
CHANGE IN NET POSITION		(555,719)	(6,983)	(562,702)
1103	BEGINNING EQUITY	12,439,408	13,502	12,452,910
ENDING EQUITY		\$ 11,883,689	\$ 6,519	\$ 11,890,208

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,194,000	\$ 2,193,016	\$ 2,297,155	\$ 104,139
OPERATING EXPENSES				
Personnel	1,244,454	1,256,754	1,177,790	78,964
Drainage maintenance	242,277	236,680	221,920	14,760
Indirect costs	117,977	117,977	113,859	4,118
Professional services	428,500	749,763	283,706	466,057
Contracted services	129,450	117,539	78,437	39,102
Office rent	58,300	58,300	57,155	1,145
Other	70,326	140,374	93,367	47,007
Total operating expenses	2,291,284	2,677,387	2,026,234	651,153
OPERATING INCOME (LOSS)	(97,284)	(484,371)	270,921	755,292
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	8,000	8,000	-	(8,000)
Interest on investments	2,000	2,000	3,063	1,063
Capital outlay	(75,000)	(1,353,365)	(751,138)	602,227
Appropriated fund balance	155,784	1,820,752	-	(1,820,752)
Total nonoperating revenues (expenses), net	90,784	477,387	(748,075)	(1,225,462)
LOSS BEFORE TRANSFERS	(6,500)	(6,984)	(477,154)	(470,170)
TRANSFERS				
Transfers In	6,500	6,984	6,984	-
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(470,170)	\$ (470,170)
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(5,408)	
Accrued OPEB liability			(83,425)	
Pension Expense			(5,755)	
Capital outlay			751,138	
Depreciation and amortization			(64,606)	
Change in net position			\$ 121,774	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2017**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,158,666	\$ 1,158,666	\$ 1,158,666	\$ -
OPERATING EXPENSES				
Operations	10,000	10,000	10,441	(441)
OPERATING INCOME	1,148,666	1,148,666	1,148,225	(441)
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	2,000	2,000	3,576	1,576
Capital outlay	(1,371,800)	(1,740,779)	(1,475,193)	265,586
Debt service	(906,833)	(906,833)	(906,833)	-
Proceeds from sale of capital assets	50,000	50,000	115,821	65,821
Appropriated fund balance	1,077,967	1,446,946	-	(1,446,946)
Total nonoperating revenues (expenses), net	(1,148,666)	(1,148,666)	(2,262,629)	(1,113,963)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(1,114,404)	\$ (1,114,404)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,213,695)	
Capital outlay			1,475,193	
Debt service principal			867,484	
Change in net position			\$ 14,578	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2017**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,407,300	\$ 1,407,300	\$ 1,431,824	\$ 24,524
OPERATING EXPENSES				
Personnel	585,444	585,444	581,547	3,897
Operations	862,435	889,728	817,835	71,893
Total operating expenses	1,447,879	1,475,172	1,399,382	75,790
OPERATING LOSS	(40,579)	(67,872)	32,442	100,314
NONOPERATING REVENUES (EXPENSES)				
Insurance recovery	20,000	20,000	19,194	(806)
Interest on investments	-	-	629	629
Capital outlay	-	(33,824)	(33,824)	-
Appropriated fund balance	20,579	81,696	-	(81,696)
Total nonoperating revenues (expenses), net	40,579	67,872	(14,001)	(81,873)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	18,441	\$ 18,441
Reconciliation of modified accrual basis to full accrual basis:				
Capital outlay			33,824	
Accrued vacation payable			1,706	
Accrued OPEB liability			(27,364)	
Pension Expense			(5,755)	
Depreciation and amortization			(2,416)	
Change in net position			\$ 18,436	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2017**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 133,125	\$ 133,125	\$ 133,125	\$ -
OPERATING EXPENSES				
Operations	133,125	134,976	90,908	44,068
OPERATING INCOME	-	(1,851)	42,217	44,068
NONOPERATING REVENUES				
Interest on investments	-	-	706	706
Appropriated fund balance	-	1,851	-	(1,851)
Total nonoperating revenues	-	1,851	706	(1,145)
Change in net position	\$ -	\$ -	\$ 42,923	\$ 42,923

TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

Fiscal Year	Uncollected Balance 07/01/16	Additions	Collections and Credits	Uncollected Balance 06/30/17
2016-2017	\$ -	\$ 39,471,449	a \$ 39,314,757	b \$ 156,692 c
2015-2016	146,984 **	-	77,273	69,711
2014-2015	70,747	-	21,288	49,459
2014-prior	317,567	-	25,813	291,754
Totals	<u>\$ 535,298</u>		<u>\$ 39,439,132</u>	567,615
				403,725
				<u>\$ 163,890</u>
Reconciliation with revenues:				
				\$ 29,273,288
				6,393,213
				3,835,838
				\$ 39,502,338
				2,974
				(64,601)
				(1,577)
				<u>\$ 39,439,132</u>

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

** The total of collected and uncollectible taxes does not include amounts for Downtown Revitalization. Amounts in the previous year should not have been reported and have thus been removed from the 2015-2016 uncollected balance at 07/01/16.

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2017

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property at current rate	\$ 7,532,719,242	0.524	\$ 39,471,449	\$ 36,167,568	\$ 3,303,881
Total property valuation	\$ 7,532,719,242		\$ 39,471,449 a	\$ 36,167,568	\$ 3,303,881
Uncollected taxes at June 30, 2017			<u>156,692 c</u>	<u>129,007</u>	<u>27,685</u>
Current year's taxes collected			\$ 39,314,757 b	\$ 36,038,561	\$ 3,276,196
Current levy collection percentage			<u>99.60%</u>	<u>99.64%</u>	<u>99.16%</u>

STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table I

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 68,983,330	\$ 61,447,706	\$ 65,504,936	\$ 77,405,641	\$ 74,391,633	\$ 71,955,972	\$ 73,079,773	\$ 74,223,378	\$ 67,839,566	\$ 75,389,626
Restricted	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495	21,386,268	29,921,596	20,754,657
Unrestricted	24,337,458	35,270,865	23,907,746	12,887,944	(5,770,881)	1,169,561	(253,331)	(267,812)	(2,196,665)	(6,638,186)
Total governmental activities net position	\$ 94,982,354	\$ 98,197,260	\$ 99,631,472	\$ 101,392,946	\$ 101,050,956	\$ 94,801,372	\$ 94,706,937	\$ 95,341,834	\$ 95,564,497	\$ 89,506,097
Business-type activities										
Net investment in capital assets	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462	\$ 48,230,110	\$ 50,829,655	\$ 53,612,945	\$ 50,976,684	\$ 46,845,360	\$ 43,422,690	\$ 47,315,951
Unrestricted	9,767,773	10,915,522	12,777,277	12,762,741	4,652,158	7,003,344	8,802,655	9,100,051	8,298,160	2,469,000
Total business-type activities net position	\$ 56,905,278	\$ 60,928,891	\$ 64,534,739	\$ 60,992,851	\$ 55,481,813	\$ 60,616,289	\$ 59,779,339	\$ 55,945,411	\$ 51,720,850	\$ 49,784,951
Primary government										
Net investment in capital assets	\$ 116,120,835	\$ 111,461,075	\$ 117,262,398	\$ 125,635,751	\$ 125,221,288	\$ 125,568,917	\$ 124,056,457	\$ 121,068,738	\$ 111,262,256	\$ 122,705,577
Restricted	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495	21,386,268	29,921,596	20,754,657
Unrestricted	34,105,231	46,186,387	36,685,023	25,650,685	(1,118,723)	8,172,905	8,549,324	8,832,239	6,101,495	(4,169,186)
Total primary government net position	\$ 151,887,632	\$ 159,126,151	\$ 164,166,211	\$ 162,385,797	\$ 156,532,769	\$ 155,417,661	\$ 154,486,276	\$ 151,287,245	\$ 147,285,347	\$ 139,291,048
Component unit										
Net investment in capital assets	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716	\$ 190,756,445	\$ 190,756,445	\$ 206,109,733	\$ 219,522,714	\$ 218,421,756	\$ 224,969,584	\$ 236,928,712
Restricted	1,322,469	1,232,718	1,253,614	98,616	98,616	151,600	187,910	222,470	260,978	171,013
Unrestricted	5,993,719	15,140,975	21,113,133	26,865,314	26,865,314	25,876,182	18,686,692	26,899,507	29,327,642	26,560,322
Total component unit net position	\$ 184,603,565	\$ 200,839,735	\$ 210,473,463	\$ 217,720,375	\$ 217,720,375	\$ 232,137,515	\$ 238,397,316	\$ 245,543,733	\$ 254,558,204	\$ 263,660,047

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

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

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Expenses										
General government	\$ 6,528,356	\$ 7,750,437	\$ 7,447,434	\$ 8,672,259	\$ 9,246,224	\$ 10,074,521	\$ 10,010,914	\$ 10,195,729	\$ 11,336,963	\$ 14,470,841
Environment and development	29,260,757	24,840,378	22,960,472	18,613,025	21,804,182	32,680,272	23,481,833	20,231,149	21,105,842	22,928,377
Public safety	18,593,745	19,536,555	19,932,175	20,363,725	21,140,258	21,357,911	21,303,785	21,007,366	21,565,795	21,302,314
Leisure activities	5,649,567	8,668,206	9,685,124	9,725,448	10,245,527	11,191,585	11,131,488	11,239,822	12,324,889	12,526,906
Interest	2,210,521	1,969,585	1,991,035	2,046,519	2,453,129	2,880,837	2,300,475	2,168,703	2,007,653	2,025,209
Total expenses	62,242,946	62,765,161	62,016,240	59,420,976	64,889,320	78,185,126	68,228,495	64,842,769	68,341,142	73,253,647
Program Revenues										
Charges for services:										
General government	\$ 1,642,521	\$ 1,670,604	\$ 1,741,760	\$ 1,774,913	\$ 1,731,073	\$ 1,707,833	\$ 1,874,861	\$ 1,747,363	\$ 1,703,045	\$ 1,776,434
Environment and development	3,167,844	3,059,049	2,098,051	2,020,263	2,172,242	2,801,220	2,960,803	2,838,720	3,249,840	3,409,760
Public safety	99,946	110,137	130,338	117,747	93,583	100,112	368,938	413,873	477,315	534,893
Leisure activities	587,957	786,346	905,626	952,478	952,023	1,031,436	1,044,868	1,045,413	1,078,897	1,120,649
Operating grants and contributions:										
General government	-	-	-	63,536	-	-	-	-	-	-
Environment and development	3,496,677	2,516,767	2,317,442	2,357,451	2,204,526	2,474,971	2,888,753	2,343,069	2,029,052	2,148,374
Public safety	1,700,774	1,691,179	1,842,949	1,452,984	1,172,182	1,165,774	1,374,748	1,158,731	1,159,227	1,245,009
Leisure activities	377,861	384,824	375,738	372,786	462,978	531,466	595,494	711,614	782,546	773,574
Capital grants and contributions:										
Environment and development	16,641,248	8,331,927	6,797,577	3,169,734	2,942,009	10,246,880	2,671,685	346,064	790,803	525,538
Public safety	-	-	-	-	-	-	-	-	-	559,365
Leisure activities	-	-	-	85,677	182,506	182,507	797,386	476,120	170,149	402,981
Total program revenues	27,714,828	18,550,833	16,209,481	12,367,569	11,913,122	20,242,199	14,577,536	11,080,967	11,440,874	12,496,577
Total governmental activities net program expense	\$ (34,528,118)	\$ (44,214,328)	\$ (45,806,759)	\$ (47,053,407)	\$ (52,976,198)	\$ (57,942,927)	\$ (53,650,959)	\$ (53,761,802)	\$ (56,900,268)	\$ (60,757,070)
General revenues and other changes in net position										
Property taxes	\$ 27,783,703	\$ 31,162,920	\$ 32,171,735	\$ 32,612,118	\$ 33,083,532	\$ 33,306,516	\$ 34,876,543	\$ 35,617,280	\$ 36,022,725	\$ 35,944,762
Sales tax	9,758,126	9,033,512	8,765,035	8,941,463	9,765,972	10,049,247	10,548,129	11,444,089	12,040,383	12,673,856
Occupancy tax	985,069	891,857	806,686	872,115	956,496	981,716	1,044,856	1,100,478	1,202,806	1,187,510
Other taxes	141,157	112,700	41,173	51,708	56,452	58,492	59,698	65,384	74,988	77,403
Grants and contributions not restricted										
Investment earnings	1,112,630	261,025	88,220	71,324	34,258	91,575	34,491	39,476	56,872	92,371
Miscellaneous	1,476,357	1,191,127	1,293,759	2,133,013	3,342,645	2,486,465	1,792,297	3,307,397	1,381,867	2,685,239
Transfers	230,155	944,494	366,331	226,775	1,480,055	728,692	1,200,050	946,753	907,756	927,575
Total general revenues and other changes in net position	45,024,214	47,429,234	47,240,971	48,814,881	52,634,208	51,693,343	53,556,524	57,864,939	57,122,931	58,825,614
Total governmental activities changes in net position	\$ 10,496,096	\$ 3,214,906	\$ 1,434,212	\$ 1,761,474	\$ (341,990)	\$ (6,249,584)	\$ (94,435)	\$ 4,103,137	\$ 222,663	\$ (1,931,456)

Continued

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

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Expenses										
Transportation	\$ 16,215,262	\$ 18,366,495	\$ 19,829,286	\$ 20,945,401	\$ 21,454,457	\$ 21,819,683	\$ 21,286,421	\$ 21,803,767	\$ 22,264,181	\$ 23,389,971
Parking	1,612,632	1,736,772	1,776,168	1,785,780	2,212,712	1,940,918	2,101,226	1,901,853	1,708,178	1,830,551
Housing	2,203,200	2,276,917	2,057,066	1,982,144	2,204,546	2,380,410	3,016,395	2,514,173	2,616,234	2,460,709
Stormwater	1,391,604	1,635,510	1,618,926	1,739,239	1,825,682	1,765,150	1,799,370	1,649,076	2,113,562	2,185,428
Total expenses	21,422,698	24,015,694	25,281,446	26,452,564	27,697,397	27,906,161	28,203,412	27,868,869	28,702,155	29,866,659
Program Revenues										
Charges for services:										
Transportation	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432	\$ 1,359,239	\$ 1,354,987	\$ 1,565,824	\$ 1,499,429	\$ 1,413,865	\$ 1,295,107
Parking	2,102,350	2,043,999	1,921,724	1,879,797	2,071,035	2,125,253	2,395,883	2,500,498	2,597,035	2,541,380
Housing	453,821	415,568	402,701	507,305	618,132	800,165	882,363	910,630	940,223	944,681
Stormwater	1,711,271	1,740,119	1,768,208	1,841,152	1,814,911	1,932,991	2,152,429	2,139,161	2,181,361	2,297,155
Operating grants and contributions:										
Transportation	11,592,845	12,915,589	13,909,345	12,942,449	10,829,469	15,385,447	13,985,562	14,327,136	13,048,352	16,799,895
Housing	1,155,687	1,371,614	1,491,477	1,559,586	1,319,472	1,150,068	1,231,670	1,183,160	1,169,986	956,462
Stormwater	-	15,295	-	-	-	-	-	-	-	-
Capital grants and contributions:										
Transportation	9,927,751	6,845,483	5,665,439	180,119	1,804,533	8,952,435	176,358	5,429	-	98,334
Housing	-	-	-	19,877	1,079,687	-	2,077,462	-	59,118	-
Total program revenues	27,556,632	26,082,809	26,287,922	20,026,717	20,896,478	31,701,346	24,467,551	22,565,443	21,409,940	24,933,014
Total business-type activities net program expense	\$ 6,133,934	\$ 2,067,115	\$ 1,006,476	\$ (6,425,847)	\$ (6,800,919)	\$ 3,795,185	\$ (3,735,861)	\$ (5,303,426)	\$ (7,292,215)	\$ (4,933,645)
General revenues and other changes in net position										
Property taxes	\$ 2,794,787	\$ 2,801,353	\$ 2,890,870	\$ 2,929,657	\$ 2,965,320	\$ 2,987,412	\$ 3,794,976	\$ 3,798,723	\$ 3,842,964	\$ 3,835,838
Investment earnings	270,583	66,369	36,054	25,411	8,709	10,765	15,644	18,067	19,812	34,592
Miscellaneous	52,577	33,270	38,779	155,666	(204,093)	(930,194)	288,341	117,907	112,634	54,891
Transfers	(230,155)	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)	(946,753)	(907,756)	(927,575)
Total general revenues and other changes in net position	2,887,792	1,956,498	2,599,372	2,883,959	1,289,881	1,339,291	2,898,911	2,987,944	3,067,654	2,997,746
Total business-type activities changes in net position	\$ 9,021,726	\$ 4,023,613	\$ 3,605,848	\$ (3,541,888)	\$ (5,511,038)	\$ 5,134,476	\$ (836,950)	\$ (2,315,482)	\$ (4,224,561)	\$ (1,935,899)
Total primary government changes in net position										
\$ 19,517,822	\$ 7,238,519	\$ 5,040,060	\$ (1,780,414)	\$ (5,853,028)	\$ (1,115,108)	\$ (931,385)	\$ 1,787,655	\$ (4,001,898)	\$ (3,867,355)	

Continued

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

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Component unit activities:										
Expenses	\$ 27,760,906	\$ 30,379,597	\$ 31,801,115	\$ 31,840,832	\$ 31,801,115	\$ 31,664,425	\$ 31,648,089	\$ 31,716,920	\$ 30,740,470	\$ 32,243,695
Program Revenues										
Charges for services	28,794,093	29,537,290	36,489,149	36,003,830	36,489,149	35,457,613	35,843,032	36,960,842	36,369,370	35,740,394
Capital grants and contributions	3,316,663	14,493,988	2,467,785	1,269,560	2,467,785	420,251	849,325	1,374,711	1,846,475	2,363,076
Total component unit revenues	<u>32,110,756</u>	<u>44,031,278</u>	<u>38,956,934</u>	<u>37,273,390</u>	<u>38,956,934</u>	<u>35,877,864</u>	<u>36,692,357</u>	<u>38,335,553</u>	<u>38,215,845</u>	<u>38,103,470</u>
Total component unit net (expense)/revenue	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>	<u>\$ 7,155,819</u>	<u>\$ 5,432,558</u>	<u>\$ 7,155,819</u>	<u>\$ 4,213,439</u>	<u>\$ 5,044,268</u>	<u>\$ 6,618,633</u>	<u>\$ 7,475,375</u>	<u>\$ 5,859,775</u>
General revenues and other changes in net position										
Investment earnings	584,031	1,918,195	17,964	29,261	17,964	15,664	14,755	15,133	20,663	32,802
Miscellaneous	1,998,280	-	1,918,195	1,785,093	1,918,195	1,885,640	1,200,778	1,429,244	1,518,433	3,209,266
Total general revenues and other changes in net position	<u>2,582,311</u>	<u>1,918,195</u>	<u>1,936,159</u>	<u>1,814,354</u>	<u>1,936,159</u>	<u>1,901,304</u>	<u>1,215,533</u>	<u>1,444,377</u>	<u>1,539,096</u>	<u>3,242,068</u>
Total component unit activities changes in net position	<u>\$ 6,932,161</u>	<u>\$ 15,569,876</u>	<u>\$ 9,091,978</u>	<u>\$ 7,246,912</u>	<u>\$ 9,091,978</u>	<u>\$ 6,114,743</u>	<u>\$ 6,259,801</u>	<u>\$ 8,063,010</u>	<u>\$ 9,014,471</u>	<u>\$ 9,101,843</u>

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

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

Table 3a

	Fiscal Year							
	2010	2011	2012	2013	2014	2015	2016	2017
General Fund								
Nonspendable								
Inventories	3,376	3,285	3,341	2,698	2,670	1,599	840	1,697
Prepaid expenses	1,012	4,702	40,844	19,863	350	49,357	7,551	76,121
Restricted								
Stabilization by State Statute	5,838,176	5,074,720	6,271,859	6,697,509	9,994,453	8,825,428	10,706,650	7,234,759
Employee appreciation	101,136	99,559	97,890	96,179	94,489	93,049	-	-
Parks capital projects	-	75,332	28,776	28,776	139,757	89,712	117,123	46,899
Streets capital projects	187,815	143,520	110,310	122,215	213,788	233,158	323,008	382,723
Public safety	256,141	165,278	158,867	181,091	372,598	217,530	213,023	147,578
Library	16,459	-	-	-	-	-	-	-
Committed								
Economic development	-	-	-	121,811	72,513	-	-	-
Assigned								
Subsequent years' expenditures	5,064,230	1,121,605	1,528,622	1,986,150	2,654,093	2,705,364	2,706,550	2,684,006
Other post employment benefits	-	400,000	400,000	1,200,000	1,200,000	1,758,000	2,258,000	-
Workforce development	-	-	-	60,566	89,750	242,528	253,860	111,281
Comprehensive plan	157,874	103,291	99,443	-	-	-	-	-
Economic development	-	-	157,246	126,927	161,223	233,377	166,980	163,246
Unassigned	9,926,083	13,236,669	13,357,103	12,883,997	11,143,807	13,374,946	15,990,195	13,661,662
Total General Fund	\$ 21,552,302	\$ 20,427,961	\$ 22,254,301	\$ 23,527,782	\$ 26,139,491	\$ 27,824,048	\$ 32,743,780	\$ 24,509,972
All Other Governmental Funds								
Nonspendable								
Inventories	16,538	16,538	16,538	16,538	16,538	16,538	16,538	16,538
Prepaid expenses	153	-	12,155	-	6,110	-	-	-
Restricted								
Stabilization by State Statute	672,532	4,889,823	25,666,721	11,300,288	8,941,889	8,830,715	12,493,165	9,376,741
Parks capital projects	1,360,140	4,953,598	4,591,757	5,156,807	3,237,033	3,081,580	2,148,256	7,467,623
Streets capital projects	2,024,909	4,384,746	3,485,868	3,455,873	2,546,208	2,042,742	5,642,501	2,009,609
Municipal buildings projects	782,318	-	7,532,019	1,887,561	1,605,667	5,280,387	4,506,614	3,172,394
Public housing	104,905	755,136	104,905	113,836	594,147	127,623	129,839	124,771
Public safety	55,284	18,628	8,180	8,179	8,180	522,436	65,058	1,612,295
Transit capital purchases	-	-	1,067,500	-	60,529	18,317	20,538	16,926
Infrastructure capital projects	-	-	-	-	214,756	214,996	215,226	215,525
Development	-	-	2,844	26,874	-	-	-	-
Library	1,452,361	15,791,379	10,536,981	740,208	443,476	253,462	193,174	337,500
Committed								
Debt service payments	1,546,092	3,009,079	6,281,023	5,340,180	4,803,926	5,452,410	6,615,510	7,048,523
Parks capital projects	-	-	-	-	-	-	-	166,572
Municipal buildings projects	-	-	-	-	475,687	119,300	549,273	129,969
Infrastructure capital projects	244,167	214,031	799,493	241,783	-	-	-	115,000
Technology projects	-	-	-	-	776,339	805,203	25,202	425,202
Fire capital projects	-	-	-	844,189	20,353	637,093	502,675	1,013,367
Public housing	377,579	787,943	810,388	336,614	353,843	599,938	480,562	1,929,871
Economic development	38,118	19,856	106,583	160,896	85,117	128,109	76,836	115,469
Assigned								
Subsequent year's expenditures	960	123,660	92,394	12,151	28,841	135,237	56,414	-
Parks capital projects	262,938	-	44,254	91,388	85,538	506,877	110,193	296,962
Streets capital projects	518,091	292,169	88,000	-	7,209	-	-	-
Municipal buildings projects	228,558	593,266	485,027	583,292	318,978	612,849	721,282	259,633
Technology projects	447,842	-	-	68,768	4,464	43,800	43,800	-
Comprehensive plan	354,496	-	-	-	-	-	-	-
Unassigned	-	(3,314,885)	(24,960,211)	(10,121,221)	(8,047,445)	(7,709,975)	(11,670,556)	(8,967,961)
Total other governmental funds	\$ 10,487,981	\$ 32,534,967	\$ 36,772,419	\$ 20,264,204	\$ 16,587,383	\$ 21,719,637	\$ 22,942,100	\$ 26,882,529

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

Table 3b

	Fiscal Year	
	<u>2008</u>	<u>2009</u>
General Fund		
Reserved for:		
State statute	\$ 6,809,388	\$ 4,699,811
Encumbrances	1,524,640	1,079,576
Inventories	2,470	2,599
Capital improvements	353,915	364,815
Prepaid items	355,140	-
Other	332,888	321,798
Total reserved	<u>9,378,441</u>	<u>6,468,599</u>
Unreserved:		
Designated for subsequent year's expenditures	2,743,874	3,134,373
Undesignated	7,773,811	11,690,555
Total General Fund	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>
All Other Governmental Funds		
Reserved for:		
Capital improvements	\$ 7,175,409	\$ 6,482,692
State Statute	272,580	325,537
Encumbrances	408,663	373,427
Inventories	16,538	16,538
Interest subsidies	-	-
Other	1,153,789	467,125
Debt service	-	1,043,175
Total reserved	<u>9,026,979</u>	<u>8,708,494</u>
Unreserved, reported in:		
Special revenue funds	608,640	381,005
Capital projects funds	1,978,767	2,190,234
Total all other governmental funds	<u>\$ 11,614,386</u>	<u>\$ 11,279,733</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues				
Taxes	\$ 38,668,055	\$ 41,200,989	\$ 41,784,629	\$ 42,477,404
Intergovernmental	25,753,577	16,756,296	15,041,738	11,408,533
Charges for services	2,826,213	3,216,330	2,832,317	3,189,110
Licenses and permits	1,721,627	2,200,422	1,765,769	1,591,840
Interest	1,112,630	261,025	88,220	71,324
Other	2,426,785	1,400,511	1,304,865	1,685,586
Total Revenues	<u>72,508,887</u>	<u>65,035,573</u>	<u>62,817,538</u>	<u>60,423,797</u>
Expenditures				
General government	6,190,609	7,272,596	7,337,428	8,280,508
Environment and development	25,779,963	21,590,608	20,858,543	13,970,608
Public safety	18,567,074	18,686,914	19,082,389	19,733,207
Leisure activities	4,897,425	7,398,605	8,038,538	8,051,450
Capital projects	14,012,030	3,836,343	2,778,610	5,102,513
Debt Service:				
Principal	4,015,000	4,000,000	8,520,000	3,485,000
Interest	2,210,521	1,969,585	1,991,035	1,996,991
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	49,528
Total Expenditures	<u>75,672,622</u>	<u>64,754,651</u>	<u>68,606,543</u>	<u>60,669,805</u>
Excess of revenues over (under) expenditures	<u>(3,163,735)</u>	<u>280,922</u>	<u>(5,789,005)</u>	<u>(246,008)</u>
Other Financing Sources (Uses)				
Transfers in	8,473,343	2,573,984	2,047,910	2,157,492
Transfers out	(8,264,188)	(1,792,158)	(1,548,465)	(1,930,717)
Proceeds from bonds	-	-	4,490,000	20,941,878
Advance refunding	-	-	-	-
Premium on debt	-	-	266,583	-
Proceeds from installment notes	-	-	-	-
Total other financing sources (uses)	<u>209,155</u>	<u>781,826</u>	<u>5,256,028</u>	<u>21,168,653</u>
Net change in fund balances	<u>\$ (2,954,580)</u>	<u>\$ 1,062,748</u>	<u>\$ (532,977)</u>	<u>\$ 20,922,645</u>
Debt service as a percentage of non capital expenditures	10.02%	9.75%	16.17%	9.72%

Table 4

Fiscal Year									
2012	2013	2014	2015	2016	2017				
\$ 43,862,452	\$ 44,395,971	\$ 46,529,226	\$ 48,227,231	\$ 49,340,902	\$ 49,883,531				
10,878,999	18,592,238	12,328,526	10,379,680	10,367,311	10,891,739				
2,892,632	3,133,935	3,435,270	3,475,157	3,632,627	4,190,130				
1,917,775	2,369,155	2,683,188	2,392,108	2,710,159	2,485,929				
34,258	91,575	34,491	39,476	56,872	92,371				
1,342,021	2,623,976	1,923,309	3,485,501	1,548,178	2,130,432				
60,928,137	71,206,850	66,934,010	67,999,153	67,656,049	69,674,132				
8,838,537	9,493,289	9,541,046	9,589,280	10,729,883	14,147,529				
13,666,918	14,398,580	14,745,265	15,340,737	15,762,311	18,778,116				
19,323,824	19,547,468	19,946,007	20,362,042	20,333,988	20,645,476				
8,094,096	8,719,780	8,449,100	8,772,826	9,556,022	10,023,953				
11,116,359	29,185,322	9,313,279	3,696,507	7,685,753	19,725,287				
4,490,000	4,995,000	4,904,000	4,594,000	4,330,000	5,030,000				
2,271,774	2,294,854	2,300,475	2,168,703	2,007,653	2,025,209				
-	344,867	-	-	-	-				
181,355	241,116	-	-	-	-				
67,982,863	89,220,276	69,199,172	64,524,095	70,405,610	90,375,570				
(7,054,726)	(18,013,426)	(2,265,162)	3,475,058	(2,749,561)	(20,701,438)				
2,237,579	3,348,562	3,744,153	3,989,863	4,878,505	8,287,269				
(758,199)	(2,619,870)	(2,544,103)	(3,043,110)	(3,970,749)	(7,359,694)				
33,455,000	1,700,000	-	-	-	-				
(26,499,557)	3,050,000	-	-	-	-				
4,683,695	(2,700,000)	-	-	-	-				
-	-	-	2,395,000	7,984,000	14,760,000				
13,118,518	2,778,692	1,200,050	3,341,753	8,891,756	15,687,575				
\$ 6,063,792	\$ (15,234,734)	\$ (1,065,112)	\$ 6,816,811	\$ 6,142,195	\$ (5,013,863)				
10.94%	10.25%	11.31%	10.94%	9.94%	9.94%				

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Town of Chapel Hill
Governmental Funds Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 5

<u>Fiscal Year</u>	<u>Property Tax</u> (1)	<u>Sales Tax</u>	<u>Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
2008	27,783,706	9,758,126	985,069	141,157	38,668,058
2009	31,162,920	9,033,512	891,857	112,700	41,200,989
2010	32,171,735	8,765,035	806,686	41,173	41,784,629
2011	32,612,118	8,941,463	872,115	51,708	42,477,404
2012	33,083,532	9,765,972	956,496	56,452	43,862,452
2013	33,306,516	10,049,247	981,716	58,492	44,395,971
2014	34,876,543	10,548,129	1,044,856	59,698	46,529,226
2015	35,617,280	11,444,089	1,100,478	65,384	48,227,231
2016	36,022,725	12,040,383	1,202,806	74,988	49,340,902
2017	35,944,762	12,673,856	1,187,510	77,403	49,883,531

Notes:

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

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

Fiscal Year	Residential Property	Commercial Property	Combined Real Property	Personal Property
2008	3,825,506,198	1,313,540,280	5,139,046,478	460,567,284
2009	3,787,131,548	1,300,363,815	5,087,495,363	471,708,077
2010 (1)	4,710,604,169	1,617,450,867	6,328,055,036	455,030,840
2011	4,956,322,691	1,701,821,709	6,658,144,400	452,486,487
2012	*	*	6,730,528,993	471,001,413
2013	*	*	6,701,285,738	536,958,587
2014	*	*	6,823,181,920	573,309,679
2015	*	*	6,862,576,184	519,383,543
2016	*	*	6,913,283,131	541,047,846
2017	*	*	6,902,832,865	546,117,755

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

Notes:

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

Table 6

Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
(3)		(4)	(5)	(6)
60,142,623	5,659,756,385	0.522	7,134,446,470	79.33%
63,678,158	5,622,881,598	0.581	5,681,400,018	98.97%
67,647,776	6,850,733,652	0.494	6,944,484,189	98.65%
62,491,249	7,173,122,136	0.494	7,237,536,208	99.11%
63,232,013	7,264,762,419	0.494	6,908,951,421	105.15%
66,253,143	7,304,497,468	0.494	7,035,732,487	103.82%
66,762,306	7,463,253,905	0.514	7,421,692,427	100.56%
65,246,662	7,447,206,389	0.524	7,606,952,389	97.90%
85,443,691	7,539,774,668	0.524	7,599,047,236	99.22%
83,768,622	7,532,719,242	0.524	7,562,971,127	99.60%

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

Year Taxes Payable	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Chapel Hill within Orange County:			*	
<u>Town Direct Rates:</u>				
General Fund	0.474	0.423	0.360	0.360
Transit	0.048	0.048	0.041	0.041
Debt Service **	-	0.110	0.093	0.093
Total outside Downtown Service District	0.522	0.581	0.494	0.494
Downtown Service District	0.090	0.071	0.071	0.071
Total Direct Rates	0.612	0.652	0.565	0.565
<u>Overlapping Rates:</u>				
Orange County	0.950	0.998	0.858	0.858
Chapel Hill - Carrboro School District	0.204	0.230	0.188	0.188
Total Overlapping Rates	1.154	1.228	1.046	1.046
Total Direct and Overlapping Rates	1.766	1.880	1.611	1.611
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.474	0.423	0.360	0.360
Transit	0.048	0.048	0.041	0.041
Debt Service	-	0.110	0.093	0.093
Total Direct Rates	0.522	0.581	0.494	0.494
<u>Overlapping Rates:</u>				
Durham County	0.834	0.708	0.690	0.746
Total Direct and Overlapping rates	1.356	1.289	1.184	1.240

* Revaluation year

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

Source: North Carolina State Department of Revenue.

Table 7

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
0.378	0.378	0.388	0.388	0.388	0.388
0.041	0.041	0.051	0.051	0.051	0.051
0.075	0.075	0.075	0.085	0.085	0.085
0.494	0.494	0.514	0.524	0.524	0.524
0.071	0.071	0.071	0.071	0.071	0.071
0.565	0.565	0.585	0.595	0.595	0.595
0.858	0.858	0.858	0.878	0.878	0.878
0.188	0.188	0.208	0.208	0.208	0.208
1.046	1.046	1.066	1.086	1.086	1.086
1.611	1.611	1.651	1.681	1.681	1.681
0.378	0.378	0.388	0.388	0.388	0.388
0.041	0.041	0.051	0.051	0.051	0.051
0.075	0.075	0.075	0.085	0.085	0.085
0.494	0.494	0.514	0.524	0.524	0.524
0.746	0.744	0.744	0.744	0.793	0.740
1.240	1.238	1.258	1.268	1.317	1.264

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

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

Taxpayer	Type of Business
Duke Energy Carolinas (formerly Duke Power Company)	Public Utility
State Employees Credit Union	Bank
Northwestern Mutual Life (Chapel Watch Apartments)	Apartment Rental
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
East 54 Office Retail LLC	Office/Retail
Europa Center LLP	Office Building
Granville Towers LLC	Apartment Rental
NC UNC Holidngs LLC	Apartment Rental
DDRM Meadowmont Village Center LLC	Retail
Glen Lennox	Apartment Rental
Chapel Hill Foundation Real Estate (University Square) (formerly US GT LLC)	Shopping Center
Blue Cross and Blue Shield of North Carolina	Health Insurance
Vac Limited Partnership	Apartment Rental
Corium LLC	Office Building
Bell South Telephone Company	Public Utility
Southeast Region IV LLC	Apartment Rental

Totals

Total assessed valuation

Sources:

- (1) 2007-2008 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2017			Fiscal Year 2008		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
42,259,300	1	0.56%	24,984,118	7	0.46%
41,192,339	2	0.55%			
38,765,858	3	0.51%			
37,185,569	4	0.49%	32,118,292	5	0.59%
35,239,900	5	0.47%			
27,748,052	6	0.37%	27,106,501	6	0.50%
27,387,148	7	0.36%			
24,753,568	8	0.33%			
24,463,692	9	0.32%	22,577,932	9	0.41%
23,123,000	10	0.31%			
			49,895,519	1	0.91%
			38,026,306	2	0.69%
			36,086,750	3	0.66%
			32,584,496	4	0.60%
			22,962,071	8	0.42%
			22,094,641	10	0.40%
<u>\$ 322,118,426</u>		<u>4.28%</u>	<u>\$ 308,436,626</u>		<u>5.64%</u>
<u>\$ 7,532,719,242</u>			<u>\$ 5,472,958,888</u>		

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**Town of Chapel Hill
Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
2008	30,412,485	30,240,782	99.44%	145,619	30,386,401	99.91%	115,177
2009	33,972,050	33,779,684	99.43%	139,190	33,918,874	99.84%	53,176
2010	35,119,150	34,836,717	99.20%	254,454	35,091,171	99.92%	27,979
2011	35,604,158	35,284,111	99.10%	258,936	35,543,047	99.83%	61,111
2012	35,887,926	35,604,067	99.21%	-	35,604,067	99.21%	283,859
2013	36,084,217	35,809,148	99.24%	-	35,809,148	99.24%	275,069
2014	38,361,125	38,115,148	99.36%	-	38,115,148	99.36%	245,977
2015	39,009,200	38,849,950	99.59%	-	38,849,950	99.59%	159,250
2016	39,789,825	39,638,269	99.62%	-	39,638,269	99.62%	151,556
2017	39,471,449	39,314,757	99.60%	-	39,314,757	99.60%	156,692

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

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Orange County Loan
2008	19,515,000	-	23,135,000	9,080,308	123,146
2009	17,415,000	-	21,770,000	7,355,887	123,146
2010	15,285,000	-	20,405,000	7,484,449	123,146
2011	34,110,000	-	19,040,000	7,452,516	123,146
2012	31,445,000	28,800,000	-	4,650,441	123,146
2013	30,820,000	26,585,000	-	4,172,666	123,146
2014	28,141,000	24,465,000	-	3,890,775	123,146
2015	25,662,000	22,350,000	-	5,456,766	123,146
2016	23,472,000	20,210,000	-	12,592,753	123,146
2017	31,741,000	18,045,000	-	15,351,269	123,146

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

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

Table 10

Business-type Activities					
Certificates of Participation	Installment Locans	Total Primary Government	Per Capita Personal Income	Per Capita	Percentage of Personal Income
				(1)	(1)
5,430,000	-	57,283,454	41,435	1,043	2.52%
5,165,000	-	51,829,033	43,844	932	2.13%
4,895,000	-	48,192,595	47,063	849	1.80%
4,615,000	-	65,340,662	47,925	1,142	2.38%
-	-	65,018,587	46,713	1,126	2.41%
-	-	61,700,812	48,683	1,068	2.19%
-	-	56,619,921	51,702	980	1.90%
-	-	53,591,912	52,339	898	1.72%
-	-	56,397,899	52,989	944	1.78%
-	6,408,000	71,668,415	55,338	1,203	2.17%

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

Fiscal Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General bonded debt outstanding				
General obligation bonds	\$ 19,515,000	\$ 17,415,000	\$ 15,285,000	\$ 34,110,000
Percentage of estimated actual property value (1)	0.34%	0.31%	0.22%	0.48%
Per capita (2)	\$ 471	\$ 397	\$ 325	\$ 712

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

(1) See Table 6 for property value data.

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

Table 11

Fiscal Year							
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>		
\$ 31,445,000	\$ 30,820,000	\$ 28,141,000	\$ 25,662,000	\$ 23,472,000	\$ 31,741,000		
0.43%	0.42%	0.38%	0.34%	0.31%	0.42%		
\$ 673	\$ 633	\$ 544	\$ 490	\$ 443	\$ 599		

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017**

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Orange County	\$ 50,430,000	41.41%	\$ 20,881,822
Durham County	288,086,321	1.46%	4,208,355
Total overlapping debt			<u>25,090,177</u>
Total direct debt			<u>71,668,415</u>
Total direct and overlapping debt			<u><u>\$ 96,758,592</u></u>

Sources:

Orange County Department of Financial Services.

Durham County Department of Finance.

Note:

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total assessed valuation	\$ 5,659,756,385	\$ 5,622,881,598	\$ 6,850,733,652	\$ 7,173,122,136
Debt limit - 8% of total assessed valuation	452,780,511	449,830,528	548,058,692	573,849,771
General obligation bonds	19,515,000	17,415,000	15,285,000	34,110,000
Bonds authorized but unissued	20,410,000	20,410,000	20,410,000	-
Net debt applicable to debt limit	<u>39,925,000</u>	<u>37,825,000</u>	<u>35,695,000</u>	<u>34,110,000</u>
Legal debt margin	<u>\$ 412,855,511</u>	<u>\$ 412,005,528</u>	<u>\$ 512,363,692</u>	<u>\$ 539,739,771</u>
Legal debt margin as a percentage of the debt limit	91.18%	91.59%	93.49%	94.06%

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

The Town's outstanding debt that applies to this limit at June 30, 2017 totalled \$63,041,000

This total is less than 1% of the Town's June 30, 2017 tax base (\$7.53 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2016/2017 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year						
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
\$ 7,264,762,419	\$ 7,304,497,468	\$ 7,463,253,905	\$ 7,447,206,389	\$ 7,539,774,668	\$ 7,532,719,242	
581,180,994	584,359,797	597,060,312	595,776,511	603,181,973	602,617,539	
31,445,000	30,820,000	28,141,000	25,662,000	23,472,000	31,741,000	
-	-	-	-	40,300,000	31,300,000	
<u>31,445,000</u>	<u>30,820,000</u>	<u>28,141,000</u>	<u>25,662,000</u>	<u>63,772,000</u>	<u>63,041,000</u>	
<u>\$ 549,735,994</u>	<u>\$ 553,539,797</u>	<u>\$ 568,919,312</u>	<u>\$ 570,114,511</u>	<u>\$ 539,409,973</u>	<u>\$ 539,576,539</u>	
94.59%	94.73%	95.29%	95.69%	89.43%	89.54%	

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

Table 14

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	3.1%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	4.5%
2010	56,778	5,976,341	47,063	25.6	15.82	39,428	5.6%
2011	57,233	6,186,352	47,925	25.6	15.82	41,139	5.4%
2012	57,757	6,268,886	46,713	25.6	15.82	41,059	5.6%
2013	58,424	6,608,945	48,683	25.6	15.82	41,402	5.6%
2014	59,271	7,131,776	51,702	25.3	15.82	41,242	4.4%
2015	59,653	7,345,876	52,339	25.3	15.82	41,176	4.9%
2016	59,753	7,440,708	52,989	25.8	15.82	41,490	5.2%
2017	59,569	7,822,299	55,338	25.7	15.82	41,199	4.9%

Notes:

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

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

Table 15

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
University of North Carolina at Chapel Hill	20000+	1		16,600	1	40.9%
University of North Carolina Healthcare	11000+	2	Not available	6,819	2	25.4%
Carrboro-Chapel Hill Schools	2000+	3	available	2,618	3	5.1%
Blue Cross Blue Shield of NC	-	-		1,373	4	9.7%
Town of Chapel Hill	750+	4		699	5	2.6%
Aramark Food and Support Services	300+	5				
			<u>Not available</u>	<u>28,109</u>		<u>83.7%</u>
Total Town Employment	<u>Not available</u>			<u>26,878</u>		

Source: Orange County Economic Development. Most recent year available.

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

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government:				
Finance				
Purchase orders issued	2,222	1,411	1,275	1,278
Human Resources				
Recruitment for positions	84	88	72	54
Public Works				
Streets resurfaced (miles)	5.71	5.87	8.09	n/a
Refuse collected (tons)	19,821	16,502	15,501	14,700
Economic and development:				
Planning/Inspections				
Building permits issued	610	692	792	581
Public safety:				
Police				
Calls for service*	42,691	34,273	44,588	36,596
Traffic citations	6,439	5,605	5,590	4,664
Fire				
Emergency responses	2,274	2,352	4,113	4,723
Property losses	\$ 2,875,631	\$ 2,317,857	\$ 2,315,123	\$ 880,880
Inspections	714	1,436	2,334	1,155
Leisure activities:				
Parks and Recreation				
Program/league registrants**	35,758	35,389	n/a	n/a
Pass memberships			3,168	2,719
Class registrations			2,563	3,086
Daily visits			131,840	118,605
Transit				
Service miles	2,247,250	2,190,575	2,938,507	2,800,468
Parking				
Citations issued	18,864	17,136	16,977	14,949
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***	223	234	n/a	n/a

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

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

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

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

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year						
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
1,350	1,372	1,214	1,279	1,353	1,318	
39	43	68	99	83	88	
6.4	6.0	5.88	5.88	5.88	4.79	
14,656	14,711	14,746	14,082	14,331	14,339	
1,007	884	1,006	967	967	762	
36,206	36,094	36,088	37,804	38,009	33,479	
4,996	5,087	5,721	6,709	6,459	5,567	
4,318	4,194	4,109	4,388	4,642	4,514	
\$ 1,418,764	\$ 2,449,214	\$ 2,244,585	\$ 1,001,991	\$ 1,145,028	\$ 951,042	
1,252	761	757	946	1,178	1,562	
n/a	n/a	n/a	n/a	n/a	n/a	
3,631	5,514	4,195	4,123	4,189	4,150	
6,142	3,797	5,207	4,507	4,524	6,120	
114,450	115,503	108,569	104,728	95,047	82,537	
2,598,465	2,467,578	2,614,684	2,372,166	2,303,864	2,150,124	
13,130	12,968	12,970	10,465	12,598	12,754	
n/a	n/a	n/a	n/a	n/a	n/a	

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

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government:				
Public Works				
Streets (miles)	165.1	164.9	165.3	165.4
Street lights	3,161	3,260	3,313	3,313
Public Safety:				
Police				
Patrol units	5	5	5	5
Investigative units	2	2	2	2
Other specialty units	2	3	5	4
Fire				
Number of stations	5	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	15	15	15	15
Library				
Volumes in circulation	178,687	164,040	181,046	182,800
Transportation				
Number of buses	98	96	99	98
Number of vans	15	15	19	19
Parking				
Number of spaces available	880	913	957	948
Housing				
Number of units occupied	316	322	326	321

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
165.7	162.7	165.2	165.2	165.2	166.1	
3,396	3,422	3,425	3,491	3,522	3,566	
5	5	5	5	5	5	
2	2	2	2	2	2	
4	4	4	4	4	4	
5	5	5	5	5	5	
15	15	15	14	14	14	
186,290	200,105	216,985	204,271	199,922	210,873	
98	99	98	98	98	98	
19	17	19	19	6	18	
957	1,111	1,189	1,189	1,106	1,159	
308	321	321	321	321	319	

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

Table 18

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	6.8	7	8	8	9.8	7	11.75	11.75	9	9
Communication and Public Affairs	7.53	9.13	9.13	9.13	7.33	6.53	7.53	7.53	8.53	7.53
Human resources	8	8	8	8	8	8	8	7	10	10
Finance	12.53	14	14	14	15	15	15	16	18	18
Technology solutions	7	8	8	9	8	8	9	9	10	13
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning & Sustainability (C)	19.56	21.1	21.06	20.53	20.53	17.75	15.75	15.75	35.65	36.65
Housing & Community	-	-	-	-	-	-	-	-	6.2	7.2
Public Works (A,B)	114	78	76.75	85	76.25	65.25	71.25	71.25	72.25	72.55
Inspections (C)	9	8	8	8	8	8	8	12	-	-
Engineering	20	23	23	23	23	23	23	23	21	20
Public Safety:										
Police	144	144	144	145	145	139	138	136	136	134
Fire	86.53	93.5	93.53	93.53	93.53	90	92	92	95	97
Leisure activities:										
Parks & Recreation (A)	22.59	56.79	58.84	58.84	58.84	53.51	54.01	54.41	57.83	57.83
Library	29	29.2	29.2	29.08	29.08	30.39	26.63	30.09	30.41	29.9
Transit	171.46	176	185.98	195.33	195.33	171.73	178.41	183.79	198.29	201.29
Parking	12.8	12.8	12.8	12.8	12.8	11.8	11.8	11.8	10.8	10.8
Housing	18	18	18	17	17	16	16	16	16	16
Stormwater (B)	7	14	14	14	14	14	14	14	14	14.7
Vehicle Maintenance	-	-	-	-	-	7.75	7.75	7.75	7.75	7.75
Downtown Service	-	-	-	-	-	1	1	1	1	1
Total	698.8	723.52	735.29	753.24	744.49	696.71	711.88	723.12	760.71	767.2

Notes:

(A) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.

(B) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.

(C) The Inspections division was moved to Planning & Sustainability in 2015-2016.

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

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Chapel Hill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-001.

Town of Chapel Hill's Response to Finding

The Town of Chapel Hill's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 30, 2017

MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

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

Report On Compliance For Each Major Federal Program; Report on Internal Control over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Chapel Hill's major federal programs for the year ended June 30, 2017. The Town of Chapel Hill's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 30, 2017

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

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

Report On Compliance For Each Major State Program; Report on Internal Control over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Chapel Hill's major State programs for the year ended June 30, 2017. The Town of Chapel Hill's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 30, 2017

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Non-compliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

Yes No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Hazard Mitigation Grant	97.039
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526

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

\$750,000

Auditee qualified as low-risk auditee? Yes No

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

State Awards

Internal control over major State programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X None reported

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

Any findings disclosed that are required to
be reported in accordance with the State
Single Audit Implementation Act? _____ Yes X No

Identification of major State programs:

Program Name

State Maintenance Assistance for Urban and Small Urban Areas
Powell Bill

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

Material Weakness/Non-Compliance

Finding 2017-001

Criteria: Management should have a system in place to reduce the likelihood of non-compliance with all applicable laws, rules and regulations.

Condition: Local governments in North Carolina are prohibited from holding certain types of securities.

Effect: The Town is in violation of G.S. 159-30.

Cause: Trust securities were invested in portfolios that did not comply with State statutes.

Recommendation: The Town should request permission to have expanded investment authority in compliance with G.S. 147-69.

Views of Responsible Officials and Planned Corrective Action: The Town agrees with this finding and will begin taking steps to be in compliance with State statutes.

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

None reported

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

None reported.



FINANCE
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www.townofchapelhill.org

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017**

Material Weakness/Non-Compliance

Finding 2017-001

Name of Contact Person: Amy Oland

Corrective Action: The Town agrees with this finding and will begin taking steps to be in compliance with State statutes. The funds in question are contributions to a Local Government Other Post-Employment Benefits Trust established pursuant to G.S. 159-31.1. The Town will immediately move these funds to investments authorized in G.S. 159-30(c) and will then make application to the LGC to place these funds in a certified mutual fund.

Proposed Completion Date: Immediately.

TOWN OF CHAPEL HILL, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None.

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TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
FEDERAL ASSISTANCE							
U.S. Department of Transportation							
Federal Transit Administration							
<i>Direct Programs:</i>							
FEDERAL TRANSIT CLUSTER:							
Federal Transit Administration - Federal Transit Formula Grant	20.507		44,391	35,512	-	8,879	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,505,000	25,432	-	6,359	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		700,000	50,682	-	12,672	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		3,642,826	3,642,826	-	-	-
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		463,437	78,965	-	19,369	-
<i>Subtotal Direct Federal Transit Cluster</i>				3,833,417	-	47,279	-
<i>Passed-Through City of Durham, North Carolina:</i>							
METROPOLITAN TRANSPORTATION PLANNING PROGRAM / STATE AND NON-METROPOLITAN PLANNING AND RESEARCH PROGRAM:							
Federal Transit Administration - Section 5303	20.505	U-4727	171,374	127,938	26,217	17,219	-
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7)	78,483	20,490	-	5,122	-
Federal Transit Administration - Section 5303	20.505	STP-DA Mobility	132,000	40,800	-	10,200	-
<i>Subtotal Pass-Through Metro Transportation Planning Program / State and Non-Metro Planning and Research Program</i>				189,228	26,217	32,541	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
TRANSIT SERVICES PROGRAM CLUSTER:							
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	173,804	32,813	-	32,814	-
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	73,416	35,486	-	35,487	-
<i>Subtotal Pass-Through Transit Services Program Cluster</i>				68,299	-	68,301	-
Federal Highway Administration							
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:							
Highway Planning and Construction Program NCDOT STPDA Grant - Tanyard Branch Trail	20.205	U-4726 IJ	125,000	18,326	-	4,581	-
NCDOT STPDA Grant - Variable Message System	20.205	U-5543	93,750	40,450	-	10,113	-
NCDOT STPDA Grant - Friday Center Drive	20.205	U-4726 II	665,000	-	-	-	-
NCDOT STPDA Grant - Estes Drive Bike Design	20.205	C-5179	248,000	58,250	-	14,562	-
NCDOT-Sidepath	20.205	EB-5721	558,000	-	-	-	-
<i>Subtotal Pass-Through Highway Planning and Construction Cluster</i>				117,026	-	29,256	-
Total U.S. Department of Transportation				4,207,970	26,217	177,377	-
U.S. Department of Housing and Urban Development							
Office of Community Planning and Development							
<i>Direct Programs:</i>							
CDBG & ENTITLEMENT GRANTS CLUSTER:							
Community Development Block Grant Entitlement Program income	14.218		1,195,968 22,015	283,712 -	- -	- 7,339	58,161 -
<i>Subtotal Direct CDBG Entitlement Grants Cluster</i>				283,712	-	7,339	58,161

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
OFFICE OF PUBLIC & INDIAN HOUSING							
Public and Indian Housing Program - Operating	14.850		956,462	956,462	-	-	-
Rental and other income			-	-	-	944,681	-
<i>Subtotal Direct Public Housing Capital Grants</i>				<u>956,462</u>	<u>-</u>	<u>944,681</u>	<u>-</u>
PUBLIC HOUSING CAPITAL FUND							
Public Housing - Capital Fund	14.872		444,974	155,000	-	-	-
	14.872		449,057	6,896	-	-	-
	14.872		454,460	30,159	-	-	-
	14.872		521,212	-	-	-	-
<i>Subtotal Direct Public & Indian Housing Capital Grants</i>				<u>192,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Passed-Through Orange County, North Carolina:</i>							
HOME INVESTMENT PARTNERSHIP PROGRAM							
Public and Indian Housing - Program Income				-	-	16,747	-
<i>Subtotal Pass-Through HOME Program</i>				<u>-</u>	<u>-</u>	<u>16,747</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>1,432,229</u>	<u>-</u>	<u>968,767</u>	<u>58,161</u>
U.S. Department of Justice							
Bureau of Justice Assistance							
<i>Direct Programs:</i>							
Bulletproof Vest Partnership Program	16.607		28,511	56	-	582	-
Bulletproof Vest Partnership Program	16.607		27,066	5,663	-	5,663	-
Bulletproof Vest Partnership Program	16.607		26,030	-	-	-	-
<i>Subtotal direct programs</i>				<u>5,719</u>	<u>-</u>	<u>6,245</u>	<u>-</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
National Institute of Justice							
<i>Passed-Through NC Department of Public Safety:</i>							
Governor's Crime Commission DNA Backlog Reduction Program	16.741	PROJ011685	23,990	8,157	-	15,744	-
<i>Subtotal Passed-Through NC Dept of Public Safety</i>				<u>8,157</u>	<u>-</u>	<u>15,744</u>	<u>-</u>
Total U.S. Department of Justice				<u>13,876</u>	<u>-</u>	<u>21,989</u>	<u>-</u>
U.S. Department of Homeland Security							
<i>Passed-Through NC Department of Public Safety:</i>							
Hazard Mitigation Grant							
NC Dept Public Safety(Hurricane Matthew)	97.039	HMGP-4167-0010-R	25,659	25,659	-	-	-
FEMA Hazard Mitigation Grant	97.039	HMGP-4167-0010-R	1,093,529	419,524	139,842	-	-
Total U.S. Department of Homeland Security				<u>445,183</u>	<u>139,842</u>	<u>-</u>	<u>-</u>
U.S. Institute of Museum and Library Services							
<i>Passed-Through State Library of North Carolina:</i>							
Grants to States							
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	111,997	93,611	-	16,391	-
Total U.S. Institute of Museum and Library Services				<u>93,611</u>	<u>-</u>	<u>16,391</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE				<u>6,192,869</u>	<u>166,059</u>	<u>1,184,524</u>	<u>58,161</u>
STATE ASSISTANCE							
North Carolina Department of Transportation:							
Powell Bill		5121	1,462,973	-	1,462,973	-	-
State Maintenance Assistance for Urban and Small Urban Areas		NC-2017-049-00	3,197,037	-	3,197,037	-	-
NCDOT Advanced Technology Grant		17-AT-117	223,551	-	-	188,577	21,343
NCDOT MPO Grant - Traffic Signal Upgrade		U-4704	450,000	-	-	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
<i>Passed-Through Triangle J Council of Government:</i>							
Transit Demand Grant		2000004447	99,362	-	46,538	43,620	-
Total North Carolina Department of Transportation				-	4,706,548	232,197	21,343
<i>Passed-Through NC Dept. of Revenue:</i>							
Comm Waste Reduc & Recyc Grant	6855		23,897	-	18,561	-	-
Comm Waste Reduc & Recyc Grant	7212		18,460	-	-	-	-
Total Passed-Through NC Dept. of Revenue				-	18,561	-	-
<i>North Carolina Department of Natural and Cultural Resources:</i>							
State Library Aid		2016-2017	28,064	-	28,064	-	-
TOTAL STATE ASSISTANCE				-	4,753,173	232,197	21,343
TOTAL FINANCIAL ASSISTANCE				6,192,869	4,919,232	1,416,721	79,504

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Chapel Hill, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Chapel Hill, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Chapel Hill.

2. Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Chapel Hill has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2017. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2017, the Town had no unspent Powell Bill funds. The amount calculated as interest is based on the prior year interest rate which was used as an estimate for the current year.

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