

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2018**

Prepared by:

Town of Chapel Hill
Business Management Department

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November 30, 2018

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, 2018 (FY 2017-18) 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, 2018.

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, 2018 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, 2018.

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 59,903 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 31,000 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 April 2018, the Town issued \$12.5 million of these general obligation bonds as follows: \$2.7 million for stormwater improvements, \$4.3 million for recreation facilities and \$5.5 million for streets and sidewalks.

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 2018-19.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2017-18 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, 2017.

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.

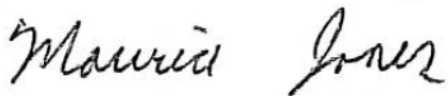
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2017-18. 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 that reads "Maurice Jones". The script is cursive and fluid.

Maurice Jones
Town Manager

A handwritten signature in black ink that reads "Amy Oland". The script is cursive and fluid.

Amy Oland
Interim Business Management Director



Government Finance Officers Association

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

Presented to

**Town of Chapel Hill
North Carolina**

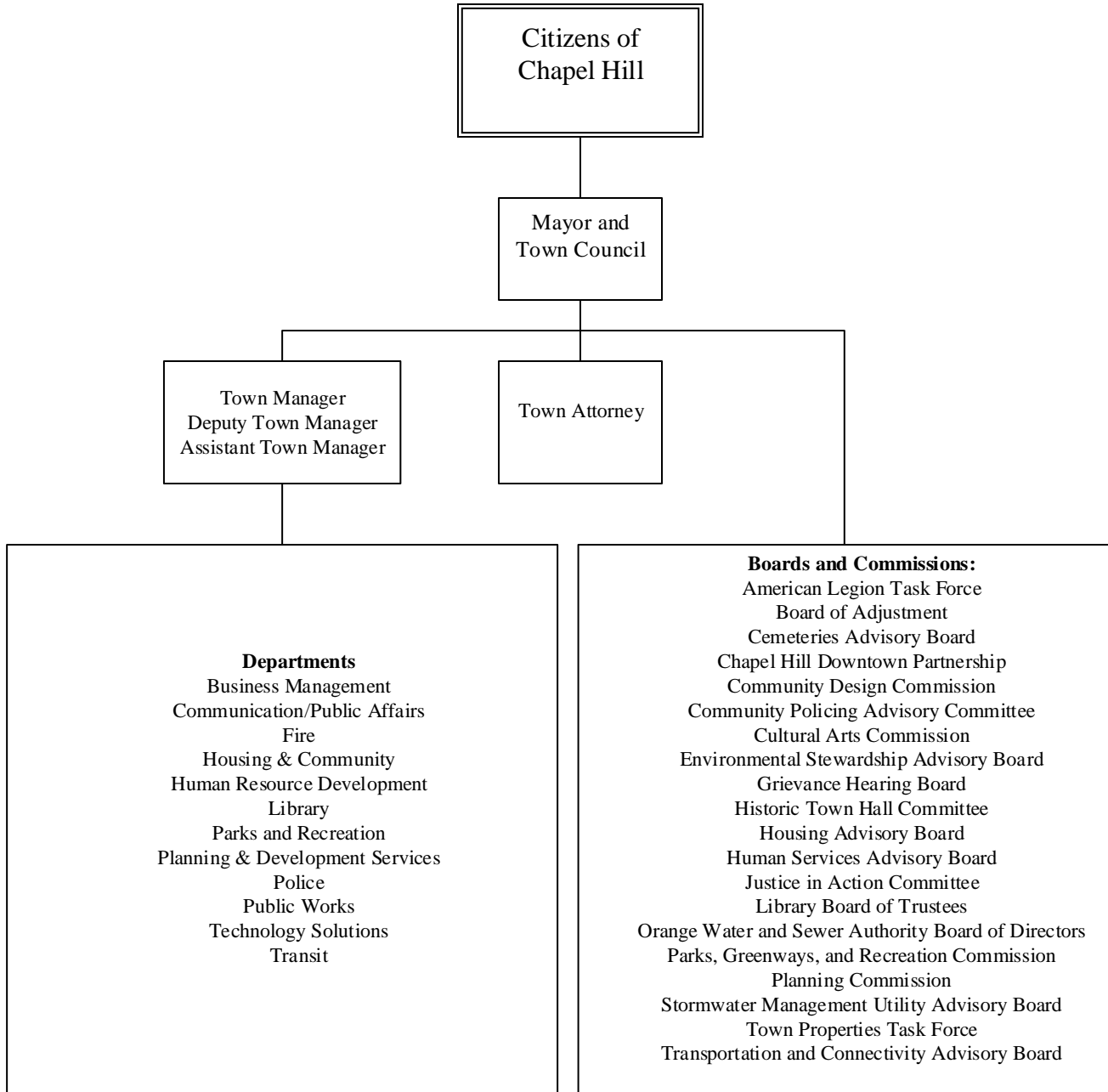
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATION CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2018
MEMBERS OF THE GOVERNING BODY**

Mayor

Pam Hemminger

Mayor pro tem

Jessica Anderson

Council Members

Donna Bell

Allen Buansi

Hongbin Gu

Nancy Oates

Michael Parker

Rachel Schaevitz

Karen Stegman

Administrative and Financial Staff

Maurice Jones

Town Manager

Florentine M. Miller

Deputy Town Manager

Amy Oland

Interim Business Management Director

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, 2018, 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.

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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, 2018, 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, 2018 the Town of Chapel Hill adopted new accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, and 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, budget and actual 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 Financial Data Schedule is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is 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, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, Financial Data Schedule 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, Financial Data Schedule 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, 2018 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, 2018

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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, 2018. 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

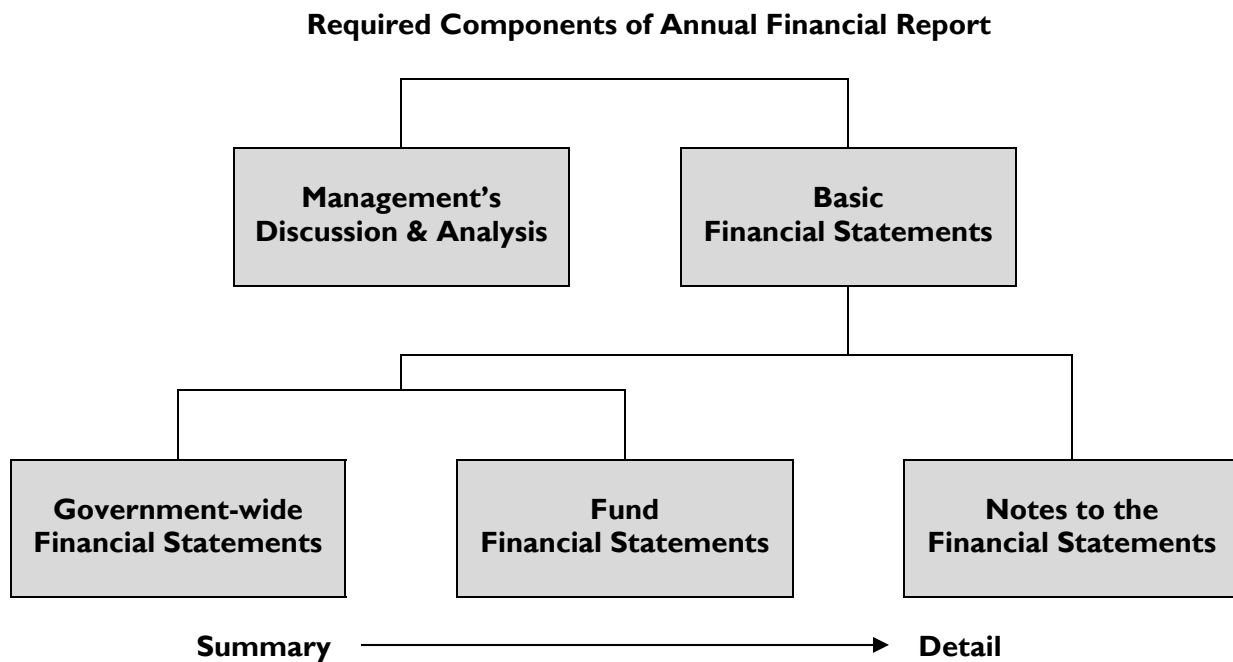
Highlights of the Town's fiscal year ended June 30, 2018, include:

- 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 \$114.6 million (net position.)
- The government's total net position increased by about \$830,000, the net of a \$2.0 million decrease in governmental activities net position and a \$2.8 million increase in business-type activities net position.
- 2018 was a revaluation year and the adopted the revenue-neutral tax rate. With steady sales tax and utility franchise tax collections, the general fund budget was able to maintain service levels, and have assets increase by \$380,000 and liabilities increase by \$208,000, for a net increase of net position of about \$172,000.
- At June 30, 2018, total net position of \$114.6 million represents capital assets and restricted net position which has been reserved for specific purposes, with a negative remaining balance of (\$20.6) million that is unrestricted. Restrictions for Stabilization by State Statue accounts for \$13.6 million of net position, largely representing bond and capital funds (\$2.9 million) and debt fund (\$2.1 million) and outstanding purchase orders for ongoing Town operating costs (\$4.2 million.)
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$54.4 million, an increase of \$3.0 million in comparison with the prior year.

Management's Discussion and Analysis

- Unassigned fund balance of the General Fund (totaling approximately \$13.6 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 \$24.1 million to \$147.3 million as a result of a general obligation bond issuance for \$12.5 million, by \$20 million due to the implementation of GASB 75 and the resulting OPEB liability less annual debt payments and a decrease in the total pension liabilities for LEO & LGERS.
- Property taxes supported 48% of the governmental services to citizens and the community in fiscal year 2018.
- 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 statistical section. This report includes all funds of the Town as well as a component unit, which is

Management's Discussion and Analysis

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 85 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, 2018 (as shown in Exhibit 1) with comparative data from June 30, 2017.

Town of Chapel Hill's Net Position						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 61,285,036	\$ 58,879,944	\$ 27,995,756	\$ 22,020,365	\$ 89,280,792	\$ 80,900,309
Capital assets	128,664,411	129,259,355	46,206,445	47,315,951	174,870,856	176,575,306
Total assets	189,949,447	188,139,299	74,202,201	69,336,316	264,151,648	257,475,615
Total deferred outflows of resources	4,276,358	7,814,740	3,364,625	3,298,729	7,640,983	11,113,469
Current liabilities	14,854,806	14,591,650	2,956,978	2,376,204	17,811,784	16,967,854
Non-current liabilities	109,141,937	91,512,866	26,090,302	20,202,493	135,232,239	111,715,359
Total liabilities	123,996,743	106,104,516	29,047,280	22,578,697	153,044,023	128,683,213
Deferred inflows of resources	2,724,655	343,426	1,375,783	271,397	4,100,438	614,823
Net position:						
Net investment in capital assets	75,357,987	75,389,626	40,360,967	47,315,951	115,718,954	122,705,577
Restricted for:						
Stabilization by State Statute	13,638,555	16,611,500	-	-	13,638,555	16,611,500
Capital projects	5,211,576	2,258,513	-	-	5,211,576	2,258,513
Public housing	300,117	124,771	-	-	300,117	124,771
Other functions	254,403	1,759,873	-	-	254,403	1,759,873
Unrestricted	(27,258,231)	(6,638,186)	6,782,796	2,469,000	(20,475,435)	(4,169,186)
Total net position	\$ 67,504,407	\$ 89,506,097	\$ 47,143,763	\$ 49,784,951	\$ 114,648,170	\$ 139,291,048

The assets and deferred outflow of resources of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$114.6 million as of June 30, 2018. The Town's net position decreased by a total of \$24.6 million (\$830,000 for the change in net position for FY 2018, the net of a \$2.0 million decrease in governmental activities and a \$2.8 million increase in business-type activities and \$25.5 million for the restatement as a result of the implementation of GASB 75).

The largest portion 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 \$19.4 million) represents resources that are subject to external restrictions on how they may be used, leaving a remaining negative balance of (\$20.6) million in unrestricted net position.

Management's Discussion and Analysis

The Town of Chapel Hill implemented GASB Statement 75 this year. The implementation of the statement required the Town to record the net other postemployment liability on the face of the financial statements rather than in the footnotes. As a result, net position for the governmental activities decreased \$25,472,498.

The Town implemented GASB Statement 74 in FY 2017. 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 \$2.0 million.

Business-type activities: Business-type activities show an increase in net position of about \$2.9 million. The Transit fund had a \$1.9 million increase in net position as a reduction in personnel expenditures. The Parking Facilities Fund had a \$730,000 increase as a result of the sale of a parking lot and a reduction in expenditures. The Stormwater Management Fund which increased \$613,000 in net position due to a fee increase in anticipation of debt payments related to general obligation bonds issued in April 2018. The Housing Operating Fund had an anticipated decrease in net position of \$328,000 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, 2018, with comparative data for June 30, 2017.

Management's Discussion and Analysis

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 7,483,203	\$ 6,841,736	\$ 7,764,652	\$ 7,078,323	\$ 15,247,855	\$ 13,920,059
Operating grants and contributions	4,422,227	4,166,957	17,631,660	17,756,357	22,053,887	21,923,314
Capital grants and contributions	5,787,267	1,487,884	3,174,767	98,334	8,962,034	1,586,218
General revenues:						
Taxes	51,899,899	49,883,531	4,012,875	3,835,838	55,912,774	53,719,369
Grants and contributions not restricted to specific programs	5,217,442	5,236,898	-	-	5,217,442	5,236,898
Investment earnings	253,870	92,371	66,767	34,592	320,637	126,963
Other	2,808,749	2,685,239	140,116	54,891	2,948,865	2,740,130
Total revenues	77,872,657	70,394,616	32,790,837	28,858,335	110,663,494	99,252,951
Expenses:						
General government	13,114,734	14,470,841	-	-	13,114,734	14,470,841
Environment and development	28,204,380	22,928,377	-	-	28,204,380	22,928,377
Public safety	24,843,607	21,302,314	-	-	24,843,607	21,302,314
Leisure activities	12,511,883	12,526,906	-	-	12,511,883	12,526,906
Interest expense	2,247,661	2,025,209	-	-	2,247,661	2,025,209
Transportation	-	-	22,376,827	23,389,971	22,376,827	23,389,971
Parking facilities	-	-	1,677,166	1,830,551	1,677,166	1,830,551
Stormwater management	-	-	2,266,475	2,185,428	2,266,475	2,185,428
Housing operations	-	-	2,591,141	2,460,709	2,591,141	2,460,709
Total expenses	80,922,265	73,253,647	28,911,609	29,866,659	109,833,874	103,120,306
Increase (decrease) in net position before transfers	(3,049,608)	(2,859,031)	3,879,228	(1,008,324)	829,620	(3,867,355)
Transfers	1,004,202	927,575	(1,004,202)	(927,575)	-	-
Increase (decrease) in net position	(2,045,406)	(1,931,456)	2,875,026	(1,935,899)	829,620	(3,867,355)
Net position, July 1	89,506,097	95,564,497	49,784,951	51,720,850	139,291,048	147,285,347
Restatement (See Note O)	(19,956,284)	(4,126,944)	(5,516,214)	-	(25,472,498)	(4,126,944)
Net position, July 1, as restated	69,549,813	91,437,553	44,268,737	51,720,850	113,818,550	143,158,403
Net position, June 30	\$ 67,504,407	\$ 89,506,097	\$ 47,143,763	\$ 49,784,951	\$ 114,648,170	\$ 139,291,048

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, 2018, the governmental funds of Chapel Hill reported a combined fund balance of about \$54.4 million, an increase of \$3.0 million or 5.8% from last year. This change is largely the result of the new general obligation bond issuance of \$9.8 million in April 2018 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 \$13.6 million, with total fund balance of \$24.7 million. The fund balance available for appropriation according to the statutory calculation is 28.6% of expenditures for FY18, 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 22.1%, and total fund balance, which includes reserves and designated amounts, represents 40.0% of total 2017-18 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$172,000.

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 \$141,000.

The Capital Projects Ordinance Fund reflects a \$4.2 million increase in fund balance, representing the net result of the new general obligation bond issuance of \$9.8 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 \$942,000 more than budgeted. Additional inspection building permit fees were received but there was less received in intergovernmental revenues from utility franchise tax and the NCDOT grant.

Expenditures were about \$3.9 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2017-18, 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 \$2.8 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 \$5.7 million for the Transit Fund, \$2.2 million for the Housing Operating Fund and \$1.4 million for the Stormwater Management Fund. The Parking Facilities Fund shows a deficit

Management's Discussion and Analysis

in unrestricted net position of \$2.7 million with \$3.7 million invested in capital assets, net of related debt. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

Capital Asset and Debt Administration

Capital assets. Figure 4 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, 2018, capital assets totaled \$174.9 million compared with \$176.6 million in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

Town of Chapel Hill Capital Assets (net of depreciation) Figure 4						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 37,109,580	\$ 36,853,336	\$ 6,962,311	\$ 6,962,311	\$ 44,071,891	\$ 43,815,647
Easements	231,873	219,123	-	-	231,873	219,123
Land improvements	14,733,414	15,544,631	2,362,410	2,619,752	17,095,824	18,164,383
Infrastructure	7,653,338	9,130,167	-	-	7,653,338	9,130,167
Buildings and building improvements	43,363,208	43,650,963	15,522,688	16,939,782	58,885,896	60,590,745
Equipment	2,116,829	2,641,747	641,440	465,410	2,758,269	3,107,157
Vehicles	6,068,921	5,447,818	19,044,573	19,216,187	25,113,494	24,664,005
Construction in progress	17,387,248	15,771,570	1,673,023	1,112,509	19,060,271	16,884,079
Total	\$ 128,664,411	\$ 129,259,355	\$ 46,206,445	\$ 47,315,951	\$ 174,870,856	\$ 176,575,306

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, 2018 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$41,470,000. The Town also had \$16,155,000 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 FY 2017 in an installment financing for the purchase of 14 buses. Total debt of about \$147 million includes the restatement of the net other postemployment liability of \$53.6 million as required by GASB 75 and total pension liability of \$4.9 million for the law enforcement special separation allowance as

Management's Discussion and Analysis

required by GASB 73. 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 38,770,000	\$ 31,741,000	\$ 2,700,000	\$ -	\$ 41,470,000	\$ 31,741,000
Limited obligation bonds	16,155,000	18,045,000	-	-	16,155,000	18,045,000
Installment notes payable	11,895,257	15,351,269	5,848,000	6,408,000	17,743,257	21,759,269
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Bond premium	470,234	-	129,554	-	599,788	-
Total pension liability for LEO	4,945,342	4,798,949	-	-	4,945,342	4,798,949
Net pension liability for LGERS	6,470,160	8,971,892	2,710,997	3,732,830	9,181,157	12,704,722
Compensated absences	2,848,994	2,819,070	637,907	637,133	3,486,901	3,456,203
Net other postemployment liability	38,178,709	19,966,200	15,428,014	10,616,460	53,606,723	30,582,660
Total	\$119,856,842	\$101,816,526	\$ 27,454,472	\$ 21,394,423	\$147,311,314	\$123,210,949

The Town's total debt from governmental activities increased by \$18.0 million or 17.7%, to \$119.9 million during the past fiscal year. The increase represents the addition of general obligation bonds for \$9.8 million to fund various capital fund projects and as a result of the implementation of GASB 75 and the restatement of the net other postemployment liability. 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 \$6.1 million to \$27.5 million, as a result of the implementation of GASB 75 and the restatement of the net other postemployment liability.

As mentioned in the financial highlights section of this document, at June 30, 2018 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation. The Town of Chapel Hill is among a small number of municipalities its size in the country that maintains such a high financial rating. This achievement assists the Town to keep low interest cost on outstanding debt.

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

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 \$583 million, well above the town's

Management's Discussion and Analysis

outstanding debt for general obligation bonds of approximately \$41.5 million plus the \$18.8 million authorized but unissued, which combined is about 9.5% 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 4.1% at June 30, 2018, slightly below 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, 2019

Governmental Activities:

General Fund revenues budgeted for FY19 total \$66.4 million, including the use of \$3.1 million in fund balance. A two cent tax increase from 50.8 cents to 52.8 cents was adopted with the FY 2019 budget. One cent was for the general fund and one cents was for transit. The breakdown for 2018-2019 in cents per \$100 valuation is broken down as follows: General Fund 38.6 cents, Debt Service Fund 8.2 cents and Transit Fund 6.0 cents.

Sales taxes are budgeted at \$13.9 million, a 1.3% increase from 2017-18's budget as we anticipate a continuation of economic growth. Other General Fund revenues remain relatively flat.

General Fund expenditures of \$66.4 million represent a 4.4% increase from the budget for 2017-18. The goals of the budget for 2018-19 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 a slight increase in the employer's contribution to the Local Government Employees Retirement System. The budget also includes funding for a 3% raise in July 2018 in employee pay.

The pay-go allocation for capital improvements, saw a decrease to 237,500, for capital maintenance and some facility improvements.

Debt service costs in 2018-19 are budgeted at \$8.3 million. The Debt Service tax rate of 8.2 cents per \$100 in valuation is expected to generate about \$6.7 million.

Other governmental activities budgeted for 2018-19 reflect a continuation of existing service levels in keeping with the budget goals for FY19.

Management's Discussion and Analysis

Business-type Activities:

The Transit Fund's 2018-19 budget of \$23.8 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 increase for the 2019 budget from 5.0 cents to 6.0 cents per \$100 in valuation and is expected to generate about \$4.9 million. The Transit budget includes \$1.7 million in new vehicles fee revenue levied by Orange County. Overall the Transit budget increased 3.9% over the 2017-18 budget.

The Parking Facilities Fund budget increased 2.3% overall from 2017-18 to help manage the parking facilities and lots.

Housing Operating revenues reflect an increase in HUD contributions of 8.3% but a decrease in rental income of 5.5% as one of the housing units is empty for repairs. Planned usage of fund balance in the amount of \$226,000 was budgeted for capital repairs at several of the housing units.

Stormwater Management's budget remained steady with an increase of 0.1% overall from 2017-18.

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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 35,903,458	\$ 23,952,865	\$ 59,856,323	\$ 15,961,713
Taxes receivable, net	141,576	13,465	155,041	-
Accounts receivable, net	542,906	491,706	1,034,612	7,028,826
Due from other governments	6,416,823	1,758,365	8,175,188	-
Internal balances	2,513,751	(2,513,751)	-	-
Inventories	81,393	1,202,799	1,284,192	1,191,251
Prepaid items	100,219	154,702	254,921	38,880
Restricted cash and cash equivalents	-	104,353	104,353	6,949,697
Total current assets	45,700,126	25,164,504	70,864,630	31,170,367
Non-current assets:				
Restricted cash and cash equivalents	15,584,910	2,831,252	18,416,162	206,053
Capital assets (Note E):				
Land and construction in progress	54,728,701	8,635,334	63,364,035	58,290,237
Other capital assets, net of accumulated depreciation	73,935,710	37,571,111	111,506,821	260,508,128
Total capital assets	128,664,411	46,206,445	174,870,856	318,798,365
Total non-current assets	144,249,321	49,037,697	193,287,018	319,004,418
Total assets	189,949,447	74,202,201	264,151,648	350,174,785
DEFERRED OUTFLOWS OF RESOURCES				
Pension and OPEB deferrals	4,276,358	3,364,625	7,640,983	1,737,694
Deferred charge on refunding	-	-	-	1,518,829
Total deferred outflows of resources	4,276,358	3,364,625	7,640,983	3,256,523
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,983,446	1,437,449	4,420,895	4,823,914
Other liabilities	-	51,006	51,006	-
Liabilities payable from restricted assets	1,156,455	104,353	1,260,808	2,168,100
Current portion of long-term liabilities	10,714,905	1,364,170	12,079,075	6,432,888
Total current liabilities	14,854,806	2,956,978	17,811,784	13,424,902
Non-current liabilities:				
Net other postemployment liability	38,178,709	15,428,014	53,606,723	12,738,543
Net pension liability (LGRS)	6,470,160	2,710,997	9,181,157	1,941,888
Total pension liability (LEOSSA)	4,945,342	-	4,945,342	-
Due in more than one year	59,547,726	7,951,291	67,499,017	59,318,776
Total non-current liabilities	109,141,937	26,090,302	135,232,239	73,999,207
Total liabilities	123,996,743	29,047,280	153,044,023	87,424,109
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	4,664	-	4,664	-
Pension and OPEB deferrals	2,719,991	1,375,783	4,095,774	1,169,125
Total deferred inflows of resources	2,724,655	1,375,783	4,100,438	1,169,125
NET POSITION				
Net investment in capital assets	75,357,987	40,360,967	115,718,954	255,136,679
Restricted for:				
Stabilization by State Statute	13,638,555	-	13,638,555	-
Capital projects	5,211,576	-	5,211,576	-
Public housing	300,117	-	300,117	-
Other functions	254,403	-	254,403	-
Water and sewer	-	-	-	206,053
Unrestricted	(27,258,231)	6,782,796	(20,475,435)	9,495,342
Total net position	\$ 67,504,407	\$ 47,143,763	\$ 114,648,170	\$ 264,838,074

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

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$	13,114,734	\$	1,805,955	\$	-	\$
Environment and development		28,204,380		2,494,215		4,754,718	
Public safety		24,843,607		536,244		852,297	
Leisure activities		12,511,883		1,385,957		742,834	
Interest expense		2,247,661		-		-	
Total governmental activities		80,922,265		7,483,203		5,787,267	
Business-type activities:							
Transportation		22,376,827		1,430,935		16,394,598	
Parking Facilities		1,677,166		2,494,701		-	
Housing Operations		2,591,141		997,741		1,229,562	
Stormwater Management		2,266,475		2,841,275		-	
Total business-type activities		28,911,609		7,764,652		3,174,767	
Total primary government		\$ 109,833,874		\$ 15,247,855		\$ 22,053,887	
Component unit - Orange Water and Sewer Authority		\$ 33,340,716		\$ 37,543,243		\$ -	
General revenues:							
Property taxes							
Sales tax							
Occupancy tax							
Other taxes							
Grants and contributions not restricted to specific programs:							
Intergovernmental							
Investment earnings							
Miscellaneous							
Total general revenues not including transfers and proceeds							
Transfers							
Total general revenues and transfers							
Change in net position							
Net position, beginning, previously reported							
Restatement							
Net position - beginning, restated							
Net position - ending							

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 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, 2018

	Major Funds				
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 20,317,701	\$ 5,089,658	\$ 4,401,431	\$ 3,449,674	\$ 33,258,464
Receivables:					
Due from other funds	533,233	2,100,000	-	-	2,633,233
Property taxes, net	114,969	22,087	-	4,520	141,576
Governmental units and agencies	5,752,966	-	296,490	367,367	6,416,823
Other	511,850	-	-	16,991	528,841
Inventories	1,135	-	-	16,538	17,673
Prepaid items	99,820	-	-	399	100,219
Restricted cash and equivalents	700,765	-	14,107,213	776,932	15,584,910
TOTAL ASSETS	\$ 28,032,439	\$ 7,211,745	\$ 18,805,134	\$ 4,632,421	\$ 58,681,739
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 119,482	\$ 119,482
Accounts payable	1,260,075	-	174,919	195,393	1,630,387
Accrued liabilities	1,097,646	-	-	6,867	1,104,513
Accounts payable from restricted assets	168,010	-	119,341	142,933	430,284
Other payables from restricted assets	532,755	-	-	193,416	726,171
Total liabilities	3,058,486	-	294,260	658,091	4,010,837
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	114,969	22,087	-	4,520	141,576
Fees and charges receivable	172,823	-	-	-	172,823
Prepaid taxes	4,664	-	-	-	4,664
Total deferred inflows of resources	292,456	22,087	-	4,520	319,063

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	Major Funds				
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Inventories	\$ 1,135	\$ -	\$ -	\$ 16,538	\$ 17,673
Prepaid items	99,820	-	-	399	100,219
Restricted					
Stabilization by State Statute	6,955,024	2,100,000	2,928,626	1,654,905	13,638,555
Parks capital projects	27,411	-	8,266,327	-	8,293,738
Streets capital projects	389,435	-	7,703,224	-	8,092,659
Municipal buildings projects	-	-	2,435,373	-	2,435,373
Public housing	-	-	-	300,117	300,117
Public safety	156,618	-	58,904	38,881	254,403
Transit capital purchases	-	-	-	12,377	12,377
Infrastructure capital projects	-	-	-	216,186	216,186
Library	-	-	21,841	246,615	268,456
Committed					
Debt service payments	-	7,189,658	-	-	7,189,658
Municipal buildings projects	-	-	-	98,729	98,729
Parks capital projects	-	-	-	18,103	18,103
Technology capital projects	-	-	25,202	23,384	48,586
Public housing	-	-	-	2,087,281	2,087,281
Economic development	-	-	3	114,945	114,948
Assigned					
Subsequent year's expenditures	3,096,886	-	-	-	3,096,886
Parks capital projects	-	-	-	358,174	358,174
Workforce Development	205,249	-	-	-	205,249
Municipal buildings projects	-	-	-	217,982	217,982
Fire capital projects	-	-	-	154,700	154,700
Technology capital projects	-	-	-	56,616	56,616
Economic development	127,994	-	-	-	127,994
Unassigned	13,621,925	(2,100,000)	(2,928,626)	(1,646,122)	6,947,177
Total fund balances	24,681,497	7,189,658	18,510,874	3,969,810	54,351,839
TOTAL LIABILITIES, DEFERRED					
INFLOWS AND FUND BALANCES	\$ 28,032,439	\$ 7,211,745	\$ 18,805,134	\$ 4,632,421	\$ 58,681,739

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, 2018

Fund balances - total governmental funds	\$ 54,351,839
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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

Governmental capital assets	215,788,504	
Less accumulated depreciation	<u>90,646,223</u>	125,142,281

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

Governmental bonds payable, limited obligation bonds, and installment purchases	(66,103,000)	
Net other postemployment liability	(37,497,903)	
Orange County loan payable	(123,146)	
Bond premium	(470,234)	
Accrued vacation payable	(2,812,905)	
Net pension liability (LGRS)	(6,385,564)	
Total pension liability (LEO)	<u>(4,945,342)</u>	(118,338,094)

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	3,131,087
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Pension and OPEB related deferrals	(1,922,947)
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Benefit payment and pension administration costs for LEOSSA are deferred outflows of resources	292,527
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Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.	314,399
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Internal service funds are used by management to charge the costs of certain activities to individual funds

The assets and liabilities of the internal service funds that are reported within governmental activities	<u>4,533,315</u>
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Net position of governmental activities	<u>\$ 67,504,407</u>
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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, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
REVENUES					
Taxes	\$ 45,006,529	\$ 6,581,420	\$ -	\$ 311,950	\$ 51,899,899
Licenses and permits	3,322,598	-	-	-	3,322,598
Fines and forfeitures	36,913	-	-	-	36,913
Intergovernmental revenues					
Federal government	-	170,188	313,628	1,601,923	2,085,739
State government	7,813,736	-	1,865,018	29,768	9,708,522
Other	684,899	-	10,064	2,937,712	3,632,675
Charges for services	3,990,342	-	-	-	3,990,342
Interest on investments	72,812	25,357	143,026	12,675	253,870
Franchise rental fees	-	-	-	59,650	59,650
Program income	-	-	-	73,700	73,700
Donations	62,498	-	-	173,916	236,414
Revenue in lieu	85,511	-	439,446	752,276	1,277,233
Mutual aid reimbursements	497,427	-	-	-	497,427
Insurance recovery	17,792	-	-	-	17,792
Other	259,155	-	-	1,184	260,339
Total revenues	<u>61,850,212</u>	<u>6,776,965</u>	<u>2,771,182</u>	<u>5,954,754</u>	<u>77,353,113</u>
EXPENDITURES					
General government	12,898,095	-	-	-	12,898,095
Environment and development	16,485,199	-	-	2,689,943	19,175,142
Public safety	21,001,429	-	-	61,781	21,063,210
Leisure activities	10,044,146	-	-	255,970	10,300,116
Capital projects	-	-	6,989,027	5,556,270	12,545,297
Debt service:					
Principal	-	5,338,000	2,150,000	-	7,488,000
Interest and fiscal charges	-	2,204,661	43,000	-	2,247,661
Total expenditures	<u>60,428,869</u>	<u>7,542,661</u>	<u>9,182,027</u>	<u>8,563,964</u>	<u>85,717,521</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,421,343	(765,696)	(6,410,845)	(2,609,210)	(8,364,408)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	9,800,000	-	9,800,000
Bond premium	-	-	519,544	-	519,544
Transfer from other funds	45,000	906,831	311,009	1,896,889	3,159,729
Transfer to other funds	(1,294,818)	-	-	(860,709)	(2,155,527)
Total other financing sources (uses)	(1,249,818)	906,831	10,630,553	1,036,180	11,323,746
NET CHANGE IN TOTAL FUND BALANCES	171,525	141,135	4,219,708	(1,573,030)	2,959,338
FUND BALANCES, BEGINNING	24,509,972	7,048,523	14,291,166	5,542,840	51,392,501
FUND BALANCES, ENDING	<u>\$ 24,681,497</u>	<u>\$ 7,189,658</u>	<u>\$ 18,510,874</u>	<u>\$ 3,969,810</u>	<u>\$ 54,351,839</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, 2018

Net change in fund balances - total governmental funds	\$ 2,959,338
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Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Expenditures for capital assets	7,105,136	
Current year's depreciation	<u>7,136,399</u>	(31,263)

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	7,488,000
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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.	(9,800,000)
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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	(25,453)
Change in long-term separation allowance	(146,393)
Other postemployment benefits	1,712,680
Pension expense	40,207

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	(3,729,717)
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Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities	(193,642)
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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.	(11,824)
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Internal service funds are used by management to charge the costs of certain activities to individual funds	<u>(307,339)</u>
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Change in net position of governmental activities	<u><u>\$ (2,045,406)</u></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, 2018**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	\$ 29,635,000	\$ 29,635,000	\$ 30,273,964	\$ 638,964
Local option sales taxes	13,677,177	13,677,177	13,364,922	(312,255)
Other taxes	1,300,000	1,300,000	1,367,643	67,643
Licenses and permits	2,203,165	2,203,165	3,322,598	1,119,433
Fines and forfeitures	61,600	61,600	36,913	(24,687)
Intergovernmental revenues	8,868,303	8,898,803	8,498,635	(400,168)
Charges for services	4,210,776	4,255,426	3,990,342	(265,084)
Interest on investments	50,000	50,000	72,812	22,812
Other	795,973	827,261	922,383	95,122
TOTAL REVENUES	60,801,994	60,908,432	61,850,212	941,780
EXPENDITURES				
General government	12,813,033	12,893,622	12,898,095	(4,473)
Environment and development	16,774,867	17,747,398	16,485,199	1,262,199
Public safety	22,862,543	22,934,541	21,001,429	1,933,112
Leisure activities	10,511,993	10,762,130	10,044,146	717,984
Total expenditures	62,962,436	64,337,691	60,428,869	3,908,822
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,160,442)	(3,429,259)	1,421,343	4,850,602
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	45,000	45,000	45,000	-
Transfer to other funds	(568,564)	(1,297,430)	(1,294,818)	2,612
Appropriated fund balance	2,684,006	4,681,689	-	(4,681,689)
Total other financing sources (uses)	2,160,442	3,429,259	(1,249,818)	(4,679,077)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	171,525	\$ 171,525
FUND BALANCE, BEGINNING			24,509,972	
FUND BALANCE, ENDING			\$ 24,681,497	

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, 2018 (With Comparative Totals as of June 30, 2017)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,723,108	\$ 289,037	\$ 3,680,022	\$ 2,260,698
Restricted cash and cash equivalents	-	-	73,354	2,862,251
Receivables:				
Accounts receivable, net	125,858	46,973	28,505	290,370
Governmental units and agencies	1,689,070	-	66,950	2,345
Property taxes, net	13,465	-	-	-
Prepaid items	3,276	151,248	-	178
Inventories	1,162,042	-	40,757	-
Total current assets	20,716,819	487,258	3,889,588	5,415,842
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,171,115	2,000,673	1,364,009
Other capital assets, net of accumulated depreciation	29,247,220	507,809	7,052,424	763,658
Total capital assets, net	31,346,757	3,678,924	9,053,097	2,127,667
Total noncurrent assets	31,346,757	3,678,924	9,053,097	2,127,667
TOTAL ASSETS	52,063,576	4,166,182	12,942,685	7,543,509
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension in current year	-	-	-	-
Pension & OPEB deferrals	2,892,307	122,169	223,010	127,139
Total deferred outflows of resources	2,892,307	122,169	223,010	127,139
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	627,280	381,610	57,841	55,030
Accrued liabilities	265,477	9,535	16,449	24,227
Deposits payable from restricted assets	-	-	74,178	30,175
Due to other funds	-	2,100,000	413,751	-
Compensated absences	494,924	32,157	49,058	56,031
Unearned revenue	51,006	-	-	-
Bonds payable	-	-	-	135,000
Installment purchase agreements	597,000	-	-	-
Total current liabilities	2,035,687	2,523,302	611,277	300,463
NONCURRENT LIABILITIES				
Compensated absences	-	3,382	2,355	-
Net other postemployment liability	12,935,301	621,838	1,018,528	852,347
Net pension liability	2,411,650	76,900	184,688	37,759
Bonds payable	-	-	-	2,565,000
Bond premium	-	-	-	129,554
Installment purchase agreements	5,251,000	-	-	-
Total noncurrent liabilities	20,597,951	702,120	1,205,571	3,584,660
Total liabilities	22,633,638	3,225,422	1,816,848	3,885,123
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	1,083,722	80,097	84,172	127,792
NET POSITION				
Net investment in capital assets	25,498,757	3,678,924	9,053,097	2,130,189
Unrestricted	5,739,766	(2,696,092)	2,211,578	1,527,544
Total net position	\$ 31,238,523	\$ 982,832	\$ 11,264,675	\$ 3,657,733

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

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2018	2017	2018	2017
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 23,952,865	\$ 14,073,062	\$ 2,644,994	\$ 3,119,988
Restricted cash and cash equivalents	2,935,605	6,517,369	-	-
Receivables:			-	-
Accounts receivable, net	491,706	494,325	14,065	18,597
Governmental units and agencies	1,758,365	2,428,626	-	-
Property taxes, net	13,465	15,246	-	-
Prepaid items	154,702	16,319	-	-
Inventories	1,202,799	1,031,387	63,720	60,734
Total current assets	30,509,507	24,576,334	2,722,779	3,199,319
NONCURRENT ASSETS				
Capital assets:				
Land and other non-depreciable assets	8,635,334	8,074,820	-	-
Other capital assets, net of accumulated depreciation	37,571,111	39,241,131	3,522,130	4,085,811
Total capital assets, net	46,206,445	47,315,951	3,522,130	4,085,811
Total noncurrent assets	46,206,445	47,315,951	3,522,130	4,085,811
TOTAL ASSETS	76,715,952	71,892,285	6,244,909	7,285,130
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension in current year	-	858,838	-	33,252
Pension deferrals	3,364,625	2,439,891	116,854	81,330
Total deferred outflows of resources	3,364,625	3,298,729	116,854	114,582
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	1,121,761	708,618	237,023	315,839
Accrued liabilities	315,688	301,959	11,523	10,527
Deposits payable from restricted assets	104,353	109,369	-	-
Due to other funds	2,513,751	2,555,969	-	-
Compensated absences	632,170	631,930	26,266	27,640
Unearned revenue	51,006	64,328	-	-
Bonds payable	135,000	-	-	-
Installment purchase agreements	597,000	560,000	390,167	629,009
Total current liabilities	5,470,729	4,932,173	664,979	983,015
NONCURRENT LIABILITIES				
Compensated absences	5,737	5,203	9,823	3,978
Net other postemployment liability	15,428,014	10,616,460	680,806	389,120
Net pension liability	2,710,997	3,732,830	84,596	119,832
Bonds payable	2,565,000	-	-	-
Bond premium	129,554	-	-	-
Installment purchase agreements	5,251,000	5,848,000	327,090	717,260
Total noncurrent liabilities	26,090,302	20,202,493	1,102,315	1,230,190
Total liabilities	31,561,031	25,134,666	1,767,294	2,213,205
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	1,375,783	271,397	61,154	23,072
NET POSITION				
Net investment in capital assets	40,360,967	47,315,951	2,804,873	2,739,542
Unrestricted	6,782,796	2,469,000	1,728,442	2,423,893
Total net position	\$ 47,143,763	\$ 49,784,951	\$ 4,533,315	\$ 5,163,435

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, 2018 (With Comparative Totals as of June 30, 2017)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 986,786	\$ 2,494,701	\$ 997,741	\$ 2,841,275
OPERATING EXPENSES				
Personnel	12,222,592	715,906	918,170	1,176,353
Drainage maintenance	-	-	-	312,204
Depreciation and amortization	4,365,184	85,165	637,775	64,025
Fuel and tires	1,178,991	-	-	-
Indirect costs	1,165,759	74,377	-	115,982
Maintenance and repairs	-	38,594	280,158	-
Building maintenance	615,999	-	-	-
Vehicle maintenance	1,182,437	-	-	-
Utilities	-	-	170,556	-
Insurance	286,006	-	-	-
Advertising and marketing	46,123	-	-	-
Professional services	81,580	-	-	402,137
Contracted services	575,545	143,718	325,799	73,709
Tarheel Express	251,345	-	-	-
Uniforms and supplies	128,914	-	-	-
Credit card fees	-	108,471	-	-
Rent	-	328,813	-	58,108
Other	276,352	182,122	258,683	63,957
Total operating expenses	22,376,827	1,677,166	2,591,141	2,266,475
OPERATING INCOME (LOSS)	(21,390,041)	817,535	(1,593,400)	574,800
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	944,605	-	1,229,562	-
State Operating Assistance Grant	3,667,530	-	-	-
Operating assistance-UNC Chapel Hill	7,363,164	-	-	-
Operating assistance-Town of Carrboro	1,455,012	-	-	7,500
Operating assistance - TTA Vehicle Fees	2,964,287	-	-	-
Vehicle licenses	444,149	-	-	-
Ad valorem taxes	4,012,875	-	-	-
Interest on investments	48,822	1,328	1,454	15,163
Insurance recovery	20,826	2,714	32,259	-
Interest expense	(156,244)	-	-	-
Gain (Loss) on sale of capital assets	(67,989)	300,000	2,479	-
Revenue in lieu	-	-	-	6,071
Total nonoperating revenues (expenses), net	20,697,037	304,042	1,265,754	28,734
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(693,004)	1,121,577	(327,646)	603,534
CAPITAL CONTRIBUTIONS	3,174,767	-	-	-
TRANSFERS				
Transfers in	-	515,000	-	9,400
Transfers out	(621,771)	(906,831)	-	-
Total transfers	(621,771)	(391,831)	-	9,400
CHANGE IN NET POSITION	1,859,992	729,746	(327,646)	612,934
NET POSITION, PREVIOUSLY REPORTED	34,370,205	295,723	11,883,689	3,235,334
RESTATEMENT	(4,991,674)	(42,637)	(291,368)	(190,535)
NET POSITION, BEGINNING	29,378,531	253,086	11,592,321	3,044,799
NET POSITION, ENDING	\$ 31,238,523	\$ 982,832	\$ 11,264,675	\$ 3,657,733

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, 2018 (With Comparative Totals as of June 30, 2017)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2018	2017	2018	2017
OPERATING REVENUES				
Charges for services	\$ 7,320,503	\$ 6,628,289	\$ 2,209,345	\$ 2,723,615
OPERATING EXPENSES				
Personnel	15,033,021	16,472,007	590,790	612,960
Drainage maintenance	312,204	221,920	-	-
Depreciation and amortization	5,152,149	4,701,583	1,163,833	1,216,111
Fuel and tires	1,178,991	1,165,563	-	-
Indirect costs	1,356,118	1,319,781	-	-
Maintenance and repairs	318,752	578,026	-	-
Building maintenance	615,999	603,914	-	-
Vehicle maintenance	1,182,437	1,524,182	-	-
Utilities	170,556	169,857	-	-
Insurance	286,006	298,048	-	-
Advertising and marketing	46,123	94,455	-	-
Professional services	483,717	283,706	-	-
Contracted services	1,118,771	523,685	-	-
Tarheel Express	251,345	214,435	-	-
Uniforms and supplies	128,914	316,770	-	-
Credit card fees	108,471	103,175	-	-
Rent	386,921	298,120	-	-
Other	781,114	977,432	885,620	919,184
Total operating expenses	28,911,609	29,866,659	2,640,243	2,748,255
OPERATING INCOME (LOSS)	(21,591,106)	(23,238,370)	(430,898)	(24,640)
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,174,167	4,755,529	-	-
State Operating Assistance Grant	3,667,530	3,385,614	-	-
Operating assistance-UNC Chapel Hill	7,363,164	7,231,584	-	-
Operating assistance-Town of Carrboro	1,462,512	1,455,012	-	-
Operating assistance - TTA Vehicle Fees	2,964,287	928,618	-	-
Vehicle licenses	444,149	450,034	-	-
Ad valorem taxes	4,012,875	3,835,838	-	-
Interest on investments	66,767	34,592	7,976	4,911
Insurance recovery	55,799	22,861	51,671	19,194
Interest expense	(156,244)	-	(21,382)	(39,349)
Gain (Loss) on sale of capital assets	234,490	27,030	85,294	115,821
Revenue in lieu	6,071	5,000	-	-
Total nonoperating revenues (expenses), net	22,295,567	22,131,712	123,559	100,577
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	704,461	(1,106,658)	(307,339)	75,937
CAPITAL CONTRIBUTIONS	3,174,767	98,334	-	-
TRANSFERS				
Transfers in	524,400	6,984	-	-
Transfers out	(1,528,602)	(934,559)	-	-
Total transfers	(1,004,202)	(927,575)	-	-
CHANGE IN NET POSITION	2,875,026	(1,935,899)	(307,339)	75,937
NET POSITION, PREVIOUSLY REPORTED	49,784,951	51,720,850	5,163,435	5,087,498
RESTATEMENT	(5,516,214)	-	(322,781)	-
NET POSITION, BEGINNING	44,268,737	51,720,850	4,840,654	5,087,498
NET POSITION, ENDING	\$ 47,143,763	\$ 49,784,951	\$ 4,533,315	\$ 5,163,435

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, 2018 (With Comparative Totals as of June 30, 2017)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 986,786	\$ 2,489,551	\$ 915,293	\$ 2,851,243
Payments to employees	(12,792,718)	(751,084)	(963,156)	(1,212,885)
Payments to suppliers	(5,097,318)	(1,064,178)	(724,878)	(1,031,660)
Net cash provided by (used in) operating activities	(16,903,250)	674,289	(772,741)	606,698
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	4,612,135	-	1,229,562	-
Transit partner assistance received	11,782,463	-	-	-
Operating assistance received	-	-	-	7,500
Taxes and licenses received	4,457,024	-	-	-
Transfers to other funds	(621,771)	(906,831)	-	-
Transfers from other funds	-	515,000	-	9,400
Revenue in lieu received	-	-	-	6,071
Net cash provided by (used in) noncapital financing activities	20,229,851	(391,831)	1,229,562	22,971
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Proceeds from bonds payable	-	-	-	2,700,000
Premium on debt	-	-	-	129,554
Principal paid on Certificates of Participation and installment purchase agreements	(560,000)	-	-	-
Interest paid on Certificates of Participation and installment purchase agreements	(156,244)	-	-	-
Proceeds from sale of capital assets	7,736	300,000	2,479	-
Proceeds from insurance recovery	20,826	2,714	32,259	-
Acquisition and construction of capital assets	(65,531)	(327,556)	-	(550,514)
Net cash provided by (used in) capital and related financing activities	(753,213)	(24,842)	34,738	2,279,040
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	48,822	1,328	1,454	15,163
Net cash provided by investing activities	48,822	1,328	1,454	15,163

Continued

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 7,242,873	\$ 6,615,660	\$ 2,213,877	\$ 2,966,625
Payments to employees	(15,719,843)	(15,058,452)	(615,844)	(580,140)
Payments to suppliers	(7,918,034)	(10,739,236)	(967,422)	(1,027,894)
Net cash provided by (used in) operating activities	(16,395,004)	(19,182,028)	630,611	1,358,591
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	5,841,697	8,141,143	-	-
Transit partner assistance received	11,782,463	9,615,214	-	-
Operating assistance received	7,500	-	-	-
Taxes and licenses received	4,457,024	4,285,872	-	-
Transfers to other funds	(1,528,602)	(934,559)	-	-
Transfers from other funds	524,400	6,984	-	-
Revenue in lieu received	6,071	5,000	-	-
Net cash provided by (used in) noncapital financing activities	21,090,553	21,119,654	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	6,408,000	-	-
Proceeds from bonds payable	2,700,000	-	-	-
Premium on debt	129,554	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	(560,000)	-	(629,012)	(867,484)
Interest paid on Certificates of Participation and installment purchase agreements	(156,244)	-	(21,382)	(39,349)
Proceeds from sale of capital assets	310,215	27,030	85,294	115,821
Proceeds from insurance recovery	55,799	22,861	51,671	19,194
Acquisition and construction of capital assets	(943,601)	(8,496,510)	(600,152)	(1,509,017)
Net cash provided by (used in) capital and related financing activities	1,535,723	(2,038,619)	(1,113,581)	(2,280,835)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	66,767	34,592	7,976	4,911
Net cash provided by investing activities	66,767	34,592	7,976	4,911

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	2,622,210	258,944	493,013	2,923,872
CASH AND INVESTMENTS, BEGINNING	15,100,898	30,093	3,260,363	2,199,077
CASH AND INVESTMENTS, ENDING	<u>\$ 17,723,108</u>	<u>\$ 289,037</u>	<u>\$ 3,753,376</u>	<u>\$ 5,122,949</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (21,390,041)	\$ 817,535	\$ (1,593,400)	\$ 574,800
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,365,184	85,165	637,775	64,025
Pension expense	13,785	574	1,149	1,149
Changes in assets and liabilities:				
Receivables	746,590	(5,150)	(76,747)	9,968
Prepaid items	8,280	-	-	4,585
Inventories	(174,622)	(151,248)	3,210	-
Due from other funds	-	(325,000)	282,782	-
Accounts payable	111,485	288,165	24,326	(10,148)
Accrued liabilities	1,312	(711)	(1,426)	1,232
Customer deposits	-	-	(5,701)	-
Accrued compensated absences	5,585	(6,639)	1,811	17
Accrued OPEB liability	(590,808)	(28,402)	(46,520)	(38,930)
(Increase) decrease in deferred outflows of resources for pensions	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (16,903,250)</u>	<u>\$ 674,289</u>	<u>\$ (772,741)</u>	<u>\$ 606,698</u>
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	<u>\$ 3,174,767</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, 2018 (With Comparative Totals as of June 30, 2017)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2018	2017	2018	2017
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	6,298,039	(66,401)	(474,994)	(917,333)
CASH AND INVESTMENTS, BEGINNING	20,590,431	20,656,832	3,119,988	4,037,321
CASH AND INVESTMENTS, ENDING	<u>\$ 26,888,470</u>	<u>\$ 20,590,431</u>	<u>\$ 2,644,994</u>	<u>\$ 3,119,988</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (21,591,106)	\$ (23,238,370)	\$ (430,898)	\$ (24,640)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	5,152,149	4,701,583	1,163,833	1,216,111
Pension expense	16,657	172,655	-	-
Changes in assets and liabilities:				
Receivables	674,661	(1,095,418)	4,532	(1,293)
Prepaid items	12,865	(16,020)	-	-
Inventories	(322,660)	116,676	(2,986)	(23,504)
Due from other funds	(42,218)	(1,034,553)	-	-
Accounts payable	413,828	(25,216)	(78,816)	159,097
Accrued liabilities	407	19,257	996	1,407
Customer deposits	(5,701)	(4,265)	-	-
Accrued compensated absences	774	34,118	4,471	(1,706)
Accrued OPEB liability	(704,660)	1,187,525	(31,095)	27,364
(Increase) decrease in deferred outflows of resources for pensions	<u>-</u>	<u>-</u>	<u>574</u>	<u>5,755</u>
Net cash provided by (used in) operating activities	<u>\$ (16,395,004)</u>	<u>\$ (19,182,028)</u>	<u>\$ 630,611</u>	<u>\$ 1,358,591</u>
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	<u>\$ 3,174,767</u>	<u>\$ 98,334</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATEMENT OF FIDUCIARY NET POSITION

OTHER POSTEMPLOYMENT (OPEB) TRUST FUND
JUNE 30, 2018

	OPEB Trust Fund
ASSETS	
Restricted assets:	
Investments:	
Cash and cash equivalents	\$ -
Equity Index	4,428,058
Bond Index	-
Short Term Investment	-
TOTAL ASSETS	\$ 4,428,058
NET POSITION	
Net position restricted for postemployment benefits other than pensions	\$ 4,428,058

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, 2018

	OPEB Trust Fund
Additions:	
Employer contributions:	\$ 2,768,442
Investment income:	325,262
Total additions	3,093,704
Deductions:	
Benefit payments	1,928,442
Administrative expense	-
Total deductions	1,928,442
Change in net position	1,165,262
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	3,262,796
End of year	\$ 4,428,058

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, 2018**

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.

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, 2018.

The Council's schedule for developing the 2017-18 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 12, 2017.

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 government money market, 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. Restricted cash in the Stormwater Fund represents unspent bond proceeds restricted for stormwater capital projects. 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	\$	700,765
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Capital Projects Ordinance Fund

Unspent bond proceeds		14,107,213
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Capital Reserve Fund

Capital project restrictions		216,186
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Transit Capital Grants Fund

Grant restrictions		12,367
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Public Housing Capital Grants Fund

Grant restrictions		186,281
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Community Development Entitlement Fund

Grant restrictions		86,758
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Transitional Housing Fund

Tenant deposits		21,459
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Library Gift Fund

Donation restrictions		253,881
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Total government activities

	\$	15,584,910
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Business-type Activities:

Housing Fund

Customer deposits	\$	73,354
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Stormwater Fund

Unspent bond proceeds		2,832,076
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Surety deposits		30,175
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Total business-type activities

	\$	2,935,605
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Total Restricted Cash

	\$	18,520,515
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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, 2017.

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

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 three items that meet this criterion: contributions made to the OPEB or pension plan, pension deferrals, and OPEB deferrals for the 2018 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 five items that meet the criterion for this category: prepaid taxes, fees and charges receivable, property taxes receivable, deferrals of pension expense, and deferrals of OPEB.

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 \$14,107,213 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, parks, and technology 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, parks, fire and technology capital projects – portion of fund balance that has been budgeted for capital projects.

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

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

The Town'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, 2018, the Town's deposits had a carrying amount of \$59,968,257 and a bank balance of \$79,330,406. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$18,977,465 was covered by collateral held under the Dedicated Method and \$59,102,941 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$5,654 at year end.

At June 30, 2018, OWASA's deposits had a carrying amount of \$17,161,360 and a bank balance of \$17,088,000. Of the bank balance, \$250,000 was covered by federal depository insurance and \$16,838,000 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, 2018, the Town's investment balances were as follows:

Investments by Type	Valuation Measurement Method	Book Value at 06/30/2018	Maturity
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 18,402,927	N/A
NC Capital Management Trust - Government Portfolio (OPEB Trust)	Amortized Cost	4,428,058	N/A
Total:		\$ 22,830,985	

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 government money market.

At June 30, 2018, the Town's Healthcare Benefits (HCB) Plan fund had \$4,428,058 invested in an Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the Town. At year-end the OPEB Trust was invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

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.

Credit risk: The Town does not have a formal investment policy regarding credit risk for the HCB Plan Fund.

At June 30, 2018, the Town of Chapel Hill had \$18,402,927 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's.

The OPEB Trust is 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, 2018, OWASA had \$5,953,403 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, 2018.

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, 2018 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 461,361	\$ -
Due from Federal Government	355,217	92,436
Due from State	5,309,978	1,421,074
Due from local governments	290,267	244,855
	<u>\$ 6,416,823</u>	<u>\$ 1,758,365</u>

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

Property taxes receivable	\$ 305,247	\$ -
Vehicle licenses receivable	17,456	17,456
Accounts receivable	7,002	25,005
	<u>\$ 329,705</u>	<u>\$ 42,461</u>

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2018 follows:

	July 1, 2017	Increases	Decreases	June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 36,853,336	\$ 256,244	\$ -	\$ 37,109,580
Easements	219,123	12,750	-	231,873
Construction in progress	15,771,570	3,962,351	2,346,673	17,387,248
Total capital assets, not being depreciated	52,844,029	4,231,345	2,346,673	54,728,701
Capital assets, being depreciated:				
Land improvements	25,104,036	360,316	-	25,464,352
Infrastructure	36,920,716	-	-	36,920,716
Buildings and building improvements	82,161,895	3,394,614	-	85,556,509
Equipment	8,965,879	115,537	-	9,081,416
Vehicles	18,799,949	1,950,149	792,885	19,957,213
Total capital assets, being depreciated	171,952,475	5,820,616	792,885	176,980,206
Accumulated depreciation:				
Land improvements	9,559,405	1,171,533	-	10,730,938
Infrastructure	27,790,549	1,476,829	-	29,267,378
Buildings and building improvements	38,510,932	3,682,369	-	42,193,301
Equipment	6,324,132	640,455	-	6,964,587
Vehicles	13,352,131	1,329,046	792,885	13,888,292
Total accumulated depreciation	95,537,149	8,300,232	792,885	103,044,496
Total capital assets, being depreciated, net	76,415,326	(2,479,616)	-	73,935,710
Governmental activities capital assets, net	\$ 129,259,355	\$ 1,751,729	\$ 2,346,673	\$ 128,664,411

	July 1, 2017	Increases	Decreases	June 30, 2018
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	2,099,537	-	-	2,099,537
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,693,132	-	-	17,693,132
Equipment	2,201,841	-	-	2,201,841
Vehicles	43,490,261	3,240,298	260,309	46,470,250
Total capital assets, being depreciated	69,359,242	3,240,298	260,309	72,339,231
Accumulated depreciation:				
Land improvements	4,278,825	186,955	-	4,465,780
Buildings and building improvements	8,269,876	818,374	-	9,088,250
Equipment	2,018,291	40,158	-	2,058,449
Vehicles	24,344,419	3,319,697	184,584	27,479,532
Total accumulated depreciation	38,911,411	4,365,184	184,584	43,092,011
Total capital assets, being depreciated, net	30,447,831	(1,124,886)	75,725	29,247,220
Transit fund capital assets, net	\$ 32,547,368	\$ (1,124,886)	\$ 75,725	\$ 31,346,757
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
Construction in progress	-	10,000	-	10,000
Total capital assets, not being depreciated	3,161,115	10,000	-	3,171,115
Capital assets, being depreciated:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,296,236	-	-	7,296,236
Equipment	816,143	317,556	-	1,133,699
Total capital assets, being depreciated	8,606,010	317,556	-	8,923,566
Accumulated depreciation:				
Land improvements	408,917	5,571	-	414,488
Buildings and building improvements	7,285,916	589	-	7,286,505
Equipment	635,759	79,005	-	714,764
Total accumulated depreciation	8,330,592	85,165	-	8,415,757
Total capital assets, being depreciated, net	275,418	232,391	-	507,809
Parking facilities fund capital assets, net	\$ 3,436,533	\$ 242,391	\$ -	\$ 3,678,924

	July 1, 2017	Increases	Decreases	June 30, 2018
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Construction in progress	299,014	-	-	299,014
Total capital assets, not being depreciated	2,000,673	-	-	2,000,673
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	276,893	-	18,985	257,908
Total capital assets, being depreciated	24,215,719	-	18,985	24,196,734
Accumulated depreciation:				
Land improvements	276,392	11,261	-	287,653
Buildings and building improvements	15,657,818	598,131	-	16,255,949
Equipment	384,762	11,893	-	396,655
Vehicles	206,548	16,490	18,985	204,053
Total accumulated depreciation	16,525,520	637,775	18,985	17,144,310
Total capital assets, being depreciated, net	7,690,199	(637,775)	-	7,052,424
Housing operating fund capital assets, net	\$ 9,690,872	\$ (637,775)	\$ -	\$ 9,053,097
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 813,495	\$ 550,514	\$ -	\$ 1,364,009
Total capital assets, not being depreciated	813,495	550,514	-	1,364,009
Capital assets, being depreciated:				
Land improvements	1,108,481	-	-	1,108,481
Equipment	88,558	-	-	88,558
Total capital assets, being depreciated	1,197,039	-	-	1,197,039
Accumulated depreciation:				
Land improvements	328,753	53,555	-	382,308
Equipment	40,603	10,470	-	51,073
Total accumulated depreciation	369,356	64,025	-	433,381
Total capital assets, being depreciated, net	827,683	(64,025)	-	763,658
Stormwater management fund capital assets, net	\$ 1,641,178	\$ 486,489	\$ -	\$ 2,127,667
Business-type activities capital assets, net	\$ 47,315,951	\$ (1,033,781)	\$ 75,725	\$ 46,206,445

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

Governmental activities:

General government	\$	378,607
Environment and development		3,905,414
Public safety		398,796
Leisure activities		2,453,582
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		1,163,833
Total depreciation expense - governmental activities	\$	<u>8,300,232</u>

Business-type activities:

Transit	\$	4,365,184
Parking facilities		85,165
Housing Operating		637,775
Stormwater Management		64,025
Total depreciation expense - business-type activities	\$	<u>5,152,149</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2018, follows:

	July 1, 2017	Increases	Decreases	Transfers	June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 17,605,354	\$ -	\$ -		\$ 17,605,354
Construction in progress	28,062,921	19,685,332	-	(7,063,370)	40,684,883
Total capital assets, not being depreciated	<u>45,668,275</u>	<u>19,685,332</u>	<u>-</u>	<u>(7,063,370)</u>	<u>58,290,237</u>
Capital assets, being depreciated:					
Water treatment and distribution	163,709,114	460,015	-	3,264,358	167,433,487
Sewer collection and treatment	215,699,542	906,578	-	3,581,102	220,187,222
Fixtures and equipment	46,004,205	1,178,175	-	217,910	47,400,290
Total capital assets, being depreciated	<u>425,412,861</u>	<u>2,544,768</u>	<u>-</u>	<u>7,063,370</u>	<u>435,020,999</u>
Less accumulated depreciation for:					
Water treatment and distribution	64,426,461	3,599,691	-	-	68,026,152
Sewer collection and treatment	67,702,086	4,344,494	-	-	72,046,580
Fixtures and equipment	33,158,067	1,282,072	-	-	34,440,139
Total accumulated depreciation	<u>165,286,614</u>	<u>9,226,257</u>	<u>-</u>	<u>-</u>	<u>174,512,871</u>
Total capital assets, being depreciated, net	<u>260,126,247</u>	<u>(6,681,489)</u>	<u>-</u>	<u>7,063,370</u>	<u>260,508,128</u>
Total capital assets, net	<u>\$ 305,794,522</u>	<u>\$ 13,003,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,798,365</u>

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

Capital Assets	\$ 215,788,504
Depreciation	(90,646,223)
	<u>125,142,281</u>
Internal service fund capital assets, net of depreciation	3,522,130
Total Capital Assets, net	<u>\$ 128,664,411</u>
Debt:	
Short-term portion of debt	\$ 10,714,905
Long-term portion of debt	109,141,937
Total Debt	<u>119,856,842</u>
Less Total pension liability (LEOSAA) (unrelated to capital)	(4,945,342)
Less Net Pension Liability (LGERS) (unrelated to capital)	(6,470,160)
Less Compensated absences (unrelated to capital)	(2,848,994)
Less Other Postemployment Benefits (unrelated to capital)	(38,178,709)
Unspent proceeds, governmental funds	<u>(14,107,213)</u>
Capital Related Debt	<u>53,306,424</u>
Net investment in capital assets	<u>\$ 75,357,987</u>

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

Total Capital Assets, net	<u>\$ 46,206,445</u>
Debt:	
Short-term portion of debt	1,364,170
Long-term portion of debt	<u>26,090,302</u>
Total Debt	<u>27,454,472</u>
Less Net Pension Liability (LGERS) (unrelated to capital)	(2,710,997)
Less Compensated Absences (unrelated to capital)	(637,907)
Less Other Postemployment Benefits (unrelated to capital)	(15,428,014)
Unspent proceeds, business-type funds	<u>(2,832,076)</u>
Capital Related Debt	<u>5,845,478</u>
Net investment in capital assets	<u>\$ 40,360,967</u>

F. Payables

Payables at the government-wide level at June 30, 2018, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 1,428,085	\$ 1,630,401	\$ 3,058,486
Other Governmental	869,609	211,806	1,081,415
	<u>\$ 2,297,694</u>	<u>\$ 1,842,207</u>	<u>\$ 4,139,901</u>
Business-Type Activities:			
Transit	627,280	265,477	892,757
Parking Facilities	381,610	9,535	391,145
Housing Operations	57,841	90,627	148,468
Stormwater Management	55,030	54,402	109,432
	<u>\$ 1,121,761</u>	<u>\$ 420,041</u>	<u>\$ 1,541,802</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, 2018 is as follows:

	Outstanding
Governmental Activities:	
<i>General obligation bonds</i>	
\$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%	\$ 275,000
\$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%	1,020,000
\$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%	2,035,000

\$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%	1,190,000
\$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%	2,340,000
\$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%	8,550,000
\$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%	1,310,000
\$9,800,000 Construction and renovation to Town facilities, including Streets and sidewalks (\$5,500,000) and Parks and recreation facilities (\$4,300,000) - serial bonds payable in annual installments of \$490,000 through 2038; interest at 2.5% to 5%	9,800,000
<i>Total general obligation bonds</i>	<u><u>\$ 38,770,000</u></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><u>\$ 16,155,000</u></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%	\$ 2,075,000
\$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%	6,953,000
\$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%	2,150,000
	<u><u>11,178,000</u></u>

Purchase of fleet replacement vehicles:

\$887,000 - BB&T installment purchase contract entered into February 2012 payable in annual installments of \$135,039 through 2019; interest at 1.72%	133,317
\$431,200 - SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%	127,867
\$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%	131,947
\$872,000 - SunTrust Bank installment purchase contract entered into December 2013 payable in annual installments of \$133,192 through 2020; interest at 1.81%	324,126
	<u>717,257</u>
<i>Total installment notes payables</i>	<u><u>\$ 11,895,257</u></u>

Business-Type Activities:

General obligation bonds

\$2,700,000 Construction and renovation to Town facilities, including Stormwater projects (\$2,700,000) - serial bonds payable in annual installments of \$135,000 through 2038; interest at 2.5% to 5%	<u><u>\$ 2,700,000</u></u>
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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><u>\$ 5,848,000</u></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
2019	\$ 3,242,000	\$ 1,434,003	\$ 4,676,003
2020	2,952,000	1,320,471	4,272,471
2021	2,772,000	1,218,429	3,990,429
2022	2,657,000	1,119,686	3,776,686
2023	2,651,000	1,017,792	3,668,792
2024-2028	12,136,000	3,553,688	15,689,688
2029-2033	8,110,000	1,418,341	9,528,341
2034-2038	4,250,000	379,760	4,629,760
	<u><u>\$ 38,770,000</u></u>	<u><u>\$ 11,462,170</u></u>	<u><u>\$ 50,232,170</u></u>

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

Year Ending June 30,	Principal	Interest	Total
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	2,040,000	383,831	2,423,831
2024-2028	4,595,000	756,743	5,351,743
2029-2031	1,680,000	171,402	1,851,402
	<u>\$ 16,155,000</u>	<u>\$ 3,830,300</u>	<u>\$ 19,985,300</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	3,223,167	216,441	\$ 3,439,608
2020	951,112	194,741	1,145,853
2021	762,978	175,000	937,978
2022	704,000	158,342	862,342
2023	711,000	142,139	853,139
2024-2028	3,499,000	463,796	3,962,796
2029-2031	2,044,000	89,124	2,133,124
	<u>\$ 11,895,257</u>	<u>\$ 1,439,583</u>	<u>\$ 13,334,840</u>

Annual debt service requirements to maturity for business-type activities general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	135,000	105,497	\$ 240,497
2020	135,000	95,344	230,344
2021	135,000	88,594	223,594
2022	135,000	81,844	216,844
2023	135,000	75,094	210,094
2024-2028	675,000	277,595	952,595
2029-2033	675,000	167,063	842,063
2034-2038	675,000	64,797	739,797
	<u>\$ 2,700,000</u>	<u>\$ 955,828</u>	<u>\$ 3,655,828</u>

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

Year Ending June 30,	Principal	Interest	Total
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	649,000	67,308	716,308
2024-2027	2,734,000	130,071	2,864,071
	<u>\$ 5,848,000</u>	<u>\$ 597,468</u>	<u>\$ 6,445,468</u>

Long-term debt activity for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 31,741,000	\$ 9,800,000	\$ 2,771,000	\$ 38,770,000	\$ 3,242,000
Limited obligation bonds	18,045,000	-	1,890,000	16,155,000	1,920,000
Installment notes payable	14,005,000	-	2,827,000	11,178,000	2,833,000
Installment notes payable - internal service funds	1,346,269	-	629,012	717,257	390,167
Orange County loan payable	123,146	-	-	123,146	-
Bond premium	-	519,544	49,310	470,234	-
Total pension liability for LEO	4,798,949	146,393	-	4,945,342	-
Net pension liability for LGERS	8,852,060	-	2,466,496	6,385,564	-
Net pension liability for LGERS - internal service funds	119,832	-	35,236	84,596	-
Compensated absences - governmental activities	2,787,452	2,328,924	2,303,471	2,812,905	2,303,471
Compensated absences - internal service funds	31,618	30,738	26,267	36,089	26,267
Net other postemployment liability	39,210,583	-	1,712,680	37,497,903	-
Net other postemployment liability - internal service funds	711,901	-	31,095	680,806	-
Long-term debt	<u>\$ 121,772,810</u>	<u>\$ 12,825,599</u>	<u>\$ 14,741,567</u>	<u>\$ 119,856,842</u>	<u>\$ 10,714,905</u>
Business-type activities:					
General obligation bonds	\$ -	\$ 2,700,000	\$ -	\$ 2,700,000	\$ 135,000
Installment notes payable	6,408,000	-	560,000	5,848,000	597,000
Bond premium	-	129,554	-	129,554	-
Net pension liability for LGERS	3,732,830	-	1,021,833	2,710,997	-
Compensated absences	637,133	632,972	632,198	637,907	632,170
Net other postemployment liability	16,132,674	-	704,660	15,428,014	-
Long-term debt	<u>\$ 26,910,637</u>	<u>\$ 3,462,526</u>	<u>\$ 2,918,691</u>	<u>\$ 27,454,472</u>	<u>\$ 1,364,170</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 April 2018, the Town closed on the second issuance of these General Obligation bonds for \$12,500,000 to fund parks facilities, streets and sidewalks projects and Stormwater Facilities projects.

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, 2018, \$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, 2018, the legal debt margin for the Town was approximately \$583 million.

OWASA's long-term debt as of June 30, 2018 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2018 Refunding Revenue Serial Bonds, in the amount of \$18,075,000, issued April 10, 2018, with a coupon rate of 2.3%; final maturity July 2029, net of unamortized premium of \$2,147,151 at June 30, 2018	\$ 18,075,000
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 \$27,519 at June 30, 2018	6,470,000.00
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 \$911,828 at June 30, 2018	14,955,000
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 \$257,227 at June 30, 2018	15,625,000
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. Refunded in fiscal year 2018.	-
	\$ 55,125,000

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	\$ 5,248,000
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OWASA bond payable maturities are as follows:

Fiscal Year	Amortization of Premiums and Deferred Refunding			
	Maturities	Losses	Total	Interest
2019	4,940,000	544,907	5,484,907	1,422,502
2020	5,130,000	523,529	5,653,529	1,307,003
2021	4,105,000	495,166	4,600,166	1,162,082
2022	3,875,000	452,858	4,327,858	997,125
2023	4,150,000	368,514	4,518,514	865,500
2024-2028	22,810,000	851,446	23,661,446	2,361,163
2029-2033	10,115,000	52,265	10,167,265	423,175
Total	\$ 55,125,000	\$ 3,288,685	\$ 58,413,685	\$ 8,538,550

OWASA note payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2019	328,000	-	328,000
2020	328,000	-	328,000
2021	328,000	-	328,000
2022	328,000	-	328,000
2023	328,000	-	328,000
2024-2028	1,640,000	-	1,640,000
2029-2033	1,640,000	-	1,640,000
2034	328,000	-	328,000
Total	\$ 5,248,000	\$ -	\$ 5,248,000

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, 2018, \$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, 2018, \$8,930,000 of bonds outstanding is considered defeased.

OWASA's long-term debt activity for the year ended June 30, 2018 is as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Notes payable	\$ 5,576,000	\$ -	\$ 328,000	\$ 5,248,000	\$ 328,000
Bonds payable:					
Revenue bonds	61,835,000	18,075,000	24,785,000	55,125,000	4,940,000
For issuance premiums	3,165,258	2,192,468	550,211	4,807,515	736,526
Compensated absences	555,659	823,042	807,552	571,149	428,362
Net pension liability (LGRS)	2,733,991	-	792,103	1,941,888	-
OPEB	13,303,313	-	564,770	12,738,543	-
Total bonds payable	\$ 87,169,221	\$ 21,090,510	\$ 27,827,636	\$ 80,432,095	\$ 6,432,888

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$55,125,000 in revenue bonds issued in 2004A, 2005, 2006, 2010, 2014, 2015 and 2018. 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 2033, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$63,663,550. Principal and interest paid in the year ended June 30, 2018 was \$7,007,230 and total customer net revenues for the year ended June 30, 2018 was \$39,199,149.

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 2004A, 2005, 2006, 2010, 2014, 2015 and 2018. 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, 2018, is as follows:

Operating revenues	\$ 39,199,149
Operating expenses *	<u>21,485,454</u>
Income available for debt service	<u>\$ 17,713,695</u>
Debt service, principal and interest paid	<u>\$ 7,007,230</u>
Debt service coverage ratio for parity debt	<u>252.79%</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, 2018, 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:

Source	Amount
Contributions to pension plan in current year	\$ 3,247,941
Pension deferral	4,310,353
OPEB deferral	82,689
	<u>\$ 7,640,983</u>

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

Source	Amount
Prepaid taxes (General Fund)	\$ 4,664
Pension deferral	405,293
OPEB deferral	3,690,481
	<u>\$ 4,100,438</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	\$ 24,681,497
Less:	
Inventories	1,135
Prepaid expenses	99,820
Stabilization by State Statute	6,955,024
Parks projects	27,411
Streets projects	389,435
Public safety	156,618
Workforce development	205,249
Economic development	127,994
Appropriated in FY19 budget	3,096,886
Working capital fund balance reserve	7,406,842
Remaining fund balance	6,215,083

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	\$ 329,798
Capital Projects Ordinance Fund	2,632,136
Non-major funds	1,270,547

J. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2018, the statements of the Town include a net of balances due to/from other funds in the amount of \$2,513,751 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 Grants Fund, Housing Capital Grants Fund and the Transit Capital Grants Fund to the General Fund represents the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end.

Governmental funds to Business-type funds:

Receivable Fund	Payable Fund	Amount
General fund	Housing fund	413,751
Debt service fund	Parking facility fund	2,100,000
		<u>\$ 2,513,751</u>

Between governmental funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Fund - Grants Fund	33,791
General Fund	Nonmajor Fund - Housing Grants Fund	71,001
General Fund	Nonmajor Fund - Transit Grants Fund	14,690
		<u>\$ 119,482</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2018 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater Fund	\$ (9,400)
From Nonmajor Fund to Parking Fund	(515,000)
From Parking Fund to Debt Service Fund	906,831
From Transit Fund to Nonmajor Fund	621,771
Total transfers to governmental funds from proprietary funds	<u>\$ 1,004,202</u>

Transfers between governmental funds:

From Nonmajor Fund to Capital Projects Ordinance Fund	300,709
From Nonmajor Fund to General Fund	45,000
From General Fund to Nonmajor Fund	1,275,118
From General Fund to Capital Projects Ordinance Fund	10,300

The Town uses transfers to move funds between various programs that must be accounted for in other funds in accordance with budgetary authorization, including amounts to provide matching funds for grants. The transfer of \$9,400 from the General Fund to the Stormwater Fund is to pay the of stormwater fee exemption. The transfer from the Capital Projects Fund is for the purchase of parking meters and for parking lot repairs. 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 transfer from the Capital Projects Fund to the Capital Projects Ordinance Fund was for a portion of the Homestead Soccer Fields artificial turf project. The Library Gift Fund transfers \$45,000 annually to the General Fund to help offset the cost of book purchases. The General Fund transferred funds to the Affordable Housing Development Reserve Fund for its annual contribution to 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 for a grant match.

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, 2018, was 8.25% of compensation for law enforcement officers and 7.57% 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 7.55%. The Town's contributions to the pension for the year ended June 30, 2018, were \$3,054,299 and OWASA's contributions were \$617,219.

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, 2018, the Town reported a liability of \$9,181,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability

used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.60097%, which was an increase of 0.00235% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,111,737. At June 30, 2018, 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	\$ 528,920	\$ 259,889
Changes of assumptions	1,311,196	-
Net difference between projected and actual earnings on pension plan investments	2,229,197	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,410	53,500
Town contributions subsequent to measurement date	3,054,299	-
Total	<u>\$ 7,161,022</u>	<u>\$ 313,389</u>

\$3,054,299 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, 2019. 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:

2019	\$ 465,283
2020	2,661,389
2021	1,341,506
2022	(674,844)
2023	-
Thereafter	-
	<u>\$ 3,793,334</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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 7.20%, 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, 2016 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 2017 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 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 7.20%, 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 27,562,041	\$ 9,181,157	\$ (6,161,078)

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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	21
Terminated plan members entitled to but not yet receiving benefits	0
Active Plan members	98
	<u>119</u>

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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement: (a) inflation rate of 2.5 percent, (b) salary increases of 3.50% to 7.35%, including inflation and a productivity factor, (c) discount rate of 3.16%. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index. 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 \$393,337 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, 2018, the Town reported a total pension liability of \$4,945,342. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$344,878.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,616
Changes of assumptions	203,630	65,288
Town benefit payments and plan administrative expense made subsequent to the measurement date	193,642	-
Total	<u>\$ 397,272</u>	<u>\$ 91,904</u>

\$193,642 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as:

Year ended June 30:

2019	\$	23,812
2020		23,812
2021		23,812
2022		29,876
2023		10,414
Thereafter		-
	<u>\$</u>	<u>111,726</u>

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 3.16%, 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 (2.16%) or 1 percentage point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total pension liability	\$ 5,308,693	\$ 4,945,342	\$ 4,609,264

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

	2018
Total Pension Liability as of December 31, 2016	<u>\$ 4,798,949</u>
Changes for the year:	
Service Cost at End of Year	143,418
Interest on the total pension liability	177,648
Changes in benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	(32,879)
Changes of assumptions and other inputs	251,543
Benefit payments	(393,337)
Other changes	-
Net Changes	<u>146,393</u>
Total Pension Liability as of December 31, 2017	<u>\$ 4,945,342</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.86 percent at December 31, 2016 to 3.16 percent at December 31, 2017.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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, 2016 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, 2018 were \$488,917, which consisted of \$305,351 from the Town and \$183,566 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, 2018 were \$2,442,601, which consisted of \$1,668,929 from the Town and \$773,672 from employees. No amounts were forfeited.

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

The net pension liability for LGERS was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability for LEOSSA was measured as of December 31, 2017, with an actuarial valuation date of December 31, 2016. The Town's proportion of the net pension liability was based on

the Town's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	\$9,181,157	-	\$ 9,181,157
Proportion of the Net Pension Liability (Asset)	0.60097%	n/a	
Total Pension Liability	-	\$4,945,342	\$ 4,945,342
Pension Expense	\$3,111,737	\$ 344,878	\$ 3,456,615

At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	LGERS	LEOSSA	Total
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	\$ 528,920	\$ -	\$ 528,920
Changes of assumption	1,311,196	203,630	1,514,826
Net difference between projected and actual earnings on pension plan investments	2,229,197	-	2,229,197
Changes in proportion and differences between Town contributions and proportionate share of contributions	37,410	-	37,410
Town contributions (LGERS)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	3,054,299	193,642	3,247,941
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 259,889	\$ 26,616	\$ 286,505
Changes of assumptions	-	65,288	65,288
Changes in proportion and differences between Town contributions and proportionate share of contributions	53,500	-	53,500

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
	<u>674</u>

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

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

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

Contributions. The Town Council established the contribution requirements of plan members which may be amended by the Council. The Council establishes rates based on an actuarially determined

rate. For the year ended June 30, 2018, 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, 2018, the Town made payments for post-retirement health benefit premiums of \$1,633,416 and the retirees made payments of \$153,479 for dependent care and for the employee's share of coverage according to the schedule above. For the fiscal year ended June 30, 2018, the Town also contributed \$840,000 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, 2018:

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

Rate of Return. For the year ended June 30, 2018, the annual money weighted rate of return on investments, net of investment expense was 6.75%. 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, 2018 were as follows:

Total OPEB Liability	\$	58,034,781
Plan fiduciary net position		<u>4,428,058</u>
Town's net OPEB liability	\$	<u><u>53,606,723</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		7.63%

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 2.5 percent, (b) salary increases of 3.50% to 7.75%, including inflation and a productivity factor, (c) investment rate of return of 6.75%, net of OPEB plan investment expense, including inflation, (d) healthcare cost trend rates of 7.75% 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, 2018, 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 6.75%. The projection of cash flows used to determine the discount rate assumed that the Town will contribute \$840,000 to the trust in the fiscal year ending June 30, 2018 and \$1,008,000 in the fiscal year ending June 30, 2019. 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 (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 62,569,486	\$ 53,606,723	\$ 46,356,983

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	\$ 44,866,420	\$ 53,606,723	\$ 64,611,257

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the Town reported a net OPEB liability of \$53,606,723. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

The components of the net OPEB liability of the Town, measured as of June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2017	\$ 59,317,954	\$ 3,262,796	\$ 56,055,158
Changes for the Year:			
Service Cost	1,324,222	-	1,324,222
Interest	3,636,345	-	3,636,345
Difference between Expected and Actual experience	100,626	-	100,626
Changes of assumptions	(4,415,924)	-	(4,415,924)
Contributions	-	2,768,442	(2,768,442)
Net Investment Income		325,262	(325,262)
Benefit Payments	(1,928,442)	(1,928,442)	-
Net Changes	(1,283,173)	1,165,262	(2,448,435)
Balances at June 30, 2018	\$ 58,034,781	\$ 4,428,058	\$ 53,606,723

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 6.23 percent in 2017 to 6.75 percent in 2018. The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the future implementation of the excise tax on high-value health insurance plans (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e. trend). Given the uncertainty regarding the ACA's implementation, continued monitoring of the ACA's impact on the Plan's liability will be required.

For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,927,799. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,689	\$ -
Changes of assumptions	-	3,628,772
Net difference between projected and actual earnings on plan investments	-	61,709
Total	<u>\$ 82,689</u>	<u>\$ 3,690,481</u>

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

Year Ended June 30:	
2019	\$ (784,642)
2020	(784,642)
2021	(784,642)
2022	(784,643)
2023	(469,223)
Thereafter	-

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, 2018 for the following:

Transit Projects	\$ 1,333,452.99
Miscellaneous Projects	1,265,061
Streets, Paving, Drainage and Sidewalks	1,203,398
Parks & Recreation Projects	562,181
Vehicle/Bus/Truck Purchases	446,624
Bolin Creek Trail	381,938
Multi-Agency Complex Project	267,152
Public Housing Projects	237,528
Library Projects	175,228
Workforce Development Projects	170,200
Ephesus - Fordham Project	66,844
Technology Projects	10,160
	<hr/>
	\$ 6,119,766

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, 2018.

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 the purchase of commercial liability insurance for general liability, automobile liability, public officials' liability, law enforcement liability, crime, cyber liability, and property losses. Through these commercial insurance policies, the Town maintains coverage of \$2,000,000 for comprehensive general liability with excess liability coverage in the amount of \$10,000,000, and

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

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) on a number of public housing units that are in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The Town carries coverage totaling \$2,243,500 in values which are related to these ten structures.

In accordance with G.S. §159-29, the Town's employees who have access to \$100 or more at any given time or access to inventory are covered through the Blanket Employee Theft coverage which is under the Town's Crime Policy. This policy limit is \$1,000,000 per occurrence with a \$25,000 deductible. The Town does not appoint a tax collector as taxes are collected by Orange and Durham Counties. The Finance Officer 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, 2018 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Town to record beginning net OPEB liability and the effects on net position of contributions paid by the Town to the OPEB Trust during the measurement period, as well as the removal of the net OPEB obligation. As a result, net position for the governmental and business-type activities decreased by \$19,956,284 and \$5,516,214 respectively.

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TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
Last Five Fiscal Years *

Exhibit 14

	2018	2017	2016	2015	2014
Chapel Hill's proportion of the net pension liability (asset) (%)	0.60097%	0.59862%	0.60393%	0.60203%	0.60950%
Chapel Hill's proportion of the net pension liability (asset) (\$)	\$ 9,181,157	\$ 12,704,722	\$ 2,710,402	\$ (3,550,448)	\$ 7,346,815
Chapel Hill's covered payroll	\$ 38,271,235	\$ 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 payroll	23.99%	34.68%	7.81%	-10.60%	22.63%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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.

TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
Last Five Fiscal Years*

Exhibit 15

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,054,299	\$ 2,827,073	\$ 2,483,084	\$ 2,451,541	\$ 2,360,129
Contributions in relation to the contractually required contribution	<u>3,054,299</u>	<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>	<u>\$ -</u>
Chapel Hill's covered payroll	\$ 40,092,466	\$ 38,271,235	\$ 36,637,712	\$ 34,697,974	\$ 33,509,249
Contributions as a percentage of covered payroll	7.62%	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.

TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
Last Two Fiscal Years **

Exhibit 16

	2018	2017
Beginning balance	\$ 4,798,949	\$ 4,897,799
Service Cost	143,418	171,252
Interest on the total pension liability	177,648	168,819
Changes of benefit items	-	-
Differences between expected and actual experience in the measurement of	(32,879)	-
Changes of assumptions or other inputs	251,543	(100,964)
Benefit payments	(393,337)	(337,957)
Other changes	-	-
Ending balance of the total pension liability	<u>\$ 4,945,342</u>	<u>\$ 4,798,949</u>

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

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

TOWN OF CHAPEL HILL, NORTH CAROLINA**Exhibit 17****REQUIRED SUPPLEMENTARY INFORMATION****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL****Last Two Fiscal Years ****

	2018	2017
Total pension liability	\$ 4,945,342	\$ 4,798,949
Covered payroll	5,958,879	6,658,279
Total pension liability as a percentage of covered payroll	82.99%	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.

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

TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Exhibit 18

	2018	2017
Total OPEB Liability		
Service Cost	\$ 1,324,222	\$ 1,246,561
Interest	3,636,345	3,457,733
Changes of benefit terms	-	-
Differences between expected and actual experience	100,626	-
Changes of assumptions	(4,415,924)	-
Benefit payments	(1,928,442)	(1,775,352)
Net change in total OPEB liability	\$ (1,283,173)	\$ 2,928,942
Total OPEB liability - beginning	59,317,954	56,389,012
Total OPEB liability - ending	\$ 58,034,781	\$ 59,317,954
Plan fiduciary net position		
Contributions - employer	\$ 2,768,442	\$ 4,733,352
Net investment income	325,262	306,647
Benefit payments	(1,928,442)	(1,775,352)
Administrative expense	-	(1,851)
Net change in plan fiduciary net position	\$ 1,165,262	\$ 3,262,796
Plan fiduciary net position - beginning	3,262,796	-
Plan fiduciary net position - ending	\$ 4,428,058	\$ 3,262,796
Town's net OPEB liability - ending	\$ 53,606,723	\$ 56,055,158
Plan fiduciary net position as a percentage of the total OPEB liability	7.63%	5.50%
Covered payroll	\$ 37,755,699	\$ 25,569,357
Town's net OPEB liability as a percentage of covered payroll	141.98%	219.23%

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

**TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS IN THE HCB PLAN**

Exhibit 19

	<u>2018</u>	<u>2017</u>
Actuarially determined	\$ 5,418,919	\$ 6,484,071
Contributions in relation to the actuarially determined contribution	<u>2,768,442</u>	<u>4,733,352</u>
Contribution deficiency (excess)	<u>\$ 2,650,477</u>	<u>\$ 1,750,719</u>
Covered payroll	\$ 37,755,699	\$ 25,569,357
Contributions as a percentage of covered payroll	7.33%	18.51%

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	Entry age normal
Asset valuation method	Market value of assets
Inflation	3.5%
Healthcare cost trend rates	Pre-medicare - 7.75% for 2016 decreasing to an ultimate rate of 5.0% by 2022 Medicare - 5.75% for 2016 decreasing to an ultimate rate of 5.0% by 2019
Salary increases	3.5% - 7.75%
Investment rate of return	6.75%, net of OPEB plan investment expense, including price inflation
Retirement age	In the 2018 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.
Mortality	In the 2018 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.

**TOWN OF CHAPEL HILL, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - OPEB**

Exhibit 20

	2018	2017
Annual money-weighted rate of return, net of investment expense	6.75%	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, 2018 (With Comparative Totals as of June 30, 2017)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2018	2017
ASSETS				
Cash and cash equivalents	\$ 1,124,519	\$ 2,325,155	\$ 3,449,674	\$ 4,808,673
Receivables:				
Governmental units and agencies	106,883	260,484	367,367	438,520
Property taxes, net	-	4,520	4,520	5,672
Other	-	16,991	16,991	16,991
Inventories	-	16,538	16,538	16,538
Prepaid items	-	399	399	-
Restricted cash and cash equivalents	414,834	362,098	776,932	702,088
TOTAL ASSETS	\$ 1,646,236	\$ 2,986,185	\$ 4,632,421	\$ 5,988,482
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 85,691	\$ 33,791	\$ 119,482	\$ 4,416
Accounts payable	56,615	138,778	195,393	195,278
Accrued liabilities	-	6,867	6,867	8,119
Unearned revenue	81,826	90,131	171,957	115,435
Accounts payable from restricted assets	70,789	72,144	142,933	94,898
Other payables from restricted assets	-	21,459	21,459	21,824
Total liabilities	294,921	363,170	658,091	439,970
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	-	4,520	4,520	5,672
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	-	399	399	-
Restricted				
Stabilization by State Statute	628,832	1,026,073	1,654,905	1,619,903
Public housing	186,281	113,836	300,117	124,771
Public safety	-	38,881	38,881	29,155
Library	-	246,615	246,615	315,659
Transit capital purchases	12,377	-	12,377	16,926
Infrastructure capital projects	216,186	-	216,186	215,525
Committed				
Municipal buildings capital projects	98,729	-	98,729	129,969
Infrastructure capital projects	-	-	-	115,000
Parks capital projects	18,103	-	18,103	166,572
Technology capital projects	23,384	-	23,384	400,000
Fire capital projects	-	-	-	1,013,367
Public housing	-	2,087,281	2,087,281	1,929,871
Economic development	-	114,945	114,945	104,112
Assigned				
Municipal buildings capital projects	217,982	-	217,982	259,633
Parks capital projects	358,174	-	358,174	296,962
Technology capital projects	56,616	-	56,616	-
Fire capital projects	154,700	-	154,700	-
Unassigned	(620,049)	(1,026,073)	(1,646,122)	(1,211,123)
Total fund balances	1,351,315	2,618,495	3,969,810	5,542,840
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,646,236	\$ 2,986,185	\$ 4,632,421	\$ 5,988,482

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund	Grants Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,220,278	\$ 26,853	\$ 30,626	\$ -
Receivables:					
Governmental units and agencies	93,866	-	-	-	166,618
Property taxes, net	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	16,538	-
Prepaid items	-	-	399	-	-
Restricted cash and cash equivalents	86,758	-	21,459	-	-
TOTAL ASSETS	<u>\$ 180,624</u>	<u>\$ 1,220,278</u>	<u>\$ 48,711</u>	<u>\$ 47,164</u>	<u>\$ 166,618</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 33,791
Accounts payable	-	20,928	-	-	-
Accrued liabilities	1,189	-	-	-	4,536
Unearned revenue	14,438	-	-	-	75,693
Accounts payable from restricted assets	51,161	-	-	-	13,717
Other payables from restricted assets	-	-	21,459	-	-
Total liabilities	<u>66,788</u>	<u>20,928</u>	<u>21,459</u>	<u>-</u>	<u>127,737</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	-	-	-	-
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	-
Prepaid expenses	-	-	399	-	-
Restricted					
Stabilization by State Statute	146,503	15,928	-	-	177,983
Public housing	113,836	-	-	-	-
Public safety	-	-	-	-	38,881
Library	-	-	-	-	-
Committed					
Public housing	-	1,199,350	26,853	30,626	-
Economic development	-	-	-	-	-
Unassigned	(146,503)	(15,928)	-	-	(177,983)
Total fund balances	<u>113,836</u>	<u>1,199,350</u>	<u>27,252</u>	<u>47,164</u>	<u>38,881</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 180,624</u>	<u>\$ 1,220,278</u>	<u>\$ 48,711</u>	<u>\$ 47,164</u>	<u>\$ 166,618</u>

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Downtown Service District	Affordable Housing Development Reserve Fund	Library Gift Fund	Comparative Totals	
				2018	2017
ASSETS					
Cash and cash equivalents	\$ 101,946	\$ 945,452	\$ -	\$ 2,325,155	\$ 2,034,170
Receivables:					
Governmental units and agencies	-	-	-	260,484	205,048
Property taxes, net	4,520	-	-	4,520	5,672
Other	16,991	-	-	16,991	16,991
Inventories	-	-	-	16,538	16,538
Prepaid items	-	-	-	399	-
Restricted cash and cash equivalents	-	-	253,881	362,098	458,702
TOTAL ASSETS	<u>\$ 123,457</u>	<u>\$ 945,452</u>	<u>\$ 253,881</u>	<u>\$ 2,986,185</u>	<u>\$ 2,737,121</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 33,791	\$ -
Accounts payable	2,850	115,000	-	138,778	16,137
Accrued liabilities	1,142	-	-	6,867	8,119
Unearned revenue	-	-	-	90,131	99,668
Accounts payable from restricted assets	-	-	7,266	72,144	76,530
Other payables from restricted assets	-	-	-	21,459	21,824
Total liabilities	<u>3,992</u>	<u>115,000</u>	<u>7,266</u>	<u>363,170</u>	<u>222,278</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	<u>4,520</u>	<u>-</u>	<u>-</u>	<u>4,520</u>	<u>5,672</u>
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	16,538
Prepaid expenses	-	-	-	399	-
Restricted					
Stabilization by State Statute	16,991	516,200	152,468	1,026,073	526,738
Public housing	-	-	-	113,836	113,836
Public safety	-	-	-	38,881	29,155
Library	-	-	246,615	246,615	315,659
Committed					
Public housing	-	830,452	-	2,087,281	1,929,871
Economic development	114,945	-	-	114,945	104,112
Unassigned	<u>(16,991)</u>	<u>(516,200)</u>	<u>(152,468)</u>	<u>(1,026,073)</u>	<u>(526,738)</u>
Total fund balances	<u>114,945</u>	<u>830,452</u>	<u>246,615</u>	<u>2,618,495</u>	<u>2,509,171</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 123,457</u>	<u>\$ 945,452</u>	<u>\$ 253,881</u>	<u>\$ 2,986,185</u>	<u>\$ 2,737,121</u>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2018	2017
ASSETS						
Cash and cash equivalents	\$ 1,124,519	\$ -	\$ -	\$ -	\$ 1,124,519	\$ 2,774,503
Due from governmental units and agencies	59,547	-	24,726	22,610	106,883	233,472
Restricted cash and cash equivalents	-	216,186	12,367	186,281	414,834	243,386
TOTAL ASSETS	\$ 1,184,066	\$ 216,186	\$ 37,093	\$ 208,891	\$ 1,646,236	\$ 3,251,361
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 14,690	\$ 71,001	\$ 85,691	\$ 4,416
Accounts payable	56,615	-	-	-	56,615	179,141
Unearned revenue	-	-	11,623	70,203	81,826	15,767
Accounts payable from restricted assets	-	-	10,780	60,009	70,789	18,368
Total liabilities	56,615	-	37,093	201,213	294,921	217,692
FUND BALANCES						
Restricted						
Stabilization by State Statute	199,763	-	71,723	357,346	628,832	1,093,165
Public housing	-	-	-	186,281	186,281	10,935
Transit capital purchases	-	-	12,377	-	12,377	16,926
Infrastructure capital projects	-	216,186	-	-	216,186	215,525
Committed						
Municipal buildings capital projects	98,729	-	-	-	98,729	129,969
Infrastructure capital projects	-	-	-	-	-	115,000
Parks capital projects	18,103	-	-	-	18,103	166,572
Technology capital projects	23,384	-	-	-	23,384	400,000
Fire capital projects	-	-	-	-	-	1,013,367
Assigned						
Municipal buildings capital projects	217,982	-	-	-	217,982	259,633
Parks capital projects	358,174	-	-	-	358,174	296,962
Technology capital projects	56,616	-	-	-	56,616	-
Fire capital projects	154,700	-	-	-	154,700	-
Unassigned	-	-	(84,100)	(535,949)	(620,049)	(684,385)
Total fund balances	1,127,451	216,186	-	7,678	1,351,315	3,033,669
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,184,066	\$ 216,186	\$ 37,093	\$ 208,891	\$ 1,646,236	\$ 3,251,361

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2018	2017
REVENUES				
Taxes	\$ -	\$ 311,950	\$ 311,950	\$ 278,262
Intergovernmental revenues				
Federal government	614,225	987,698	1,601,923	995,117
State government	-	29,768	29,768	111,298
Other	2,814,144	123,568	2,937,712	181,448
Interest on investments	8,110	4,565	12,675	4,703
Franchise rental fees	59,650	-	59,650	57,963
Program income	22,590	51,110	73,700	46,598
Donations	-	173,916	173,916	334,124
Revenue in lieu	57,276	695,000	752,276	597,309
Other	1,159	25	1,184	7,644
Total revenues	3,577,154	2,377,600	5,954,754	2,614,466
EXPENDITURES				
Environment and development	-	2,689,943	2,689,943	1,701,479
Public safety	-	61,781	61,781	99,042
Leisure activities	-	255,970	255,970	224,900
Capital projects	5,556,270	-	5,556,270	1,723,389
Total expenditures	5,556,270	3,007,694	8,563,964	3,748,810
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,979,116)	(630,094)	(2,609,210)	(1,134,344)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	1,112,471	784,418	1,896,889	3,232,413
Transfer to other funds	(815,709)	(45,000)	(860,709)	(495,000)
Total other financing sources (uses)	296,762	739,418	1,036,180	2,737,413
NET CHANGE IN TOTAL FUND BALANCES	(1,682,354)	109,324	(1,573,030)	1,603,069
FUND BALANCES, BEGINNING	3,033,669	2,509,171	5,542,840	3,939,771
FUND BALANCES, ENDING	\$ 1,351,315	\$ 2,618,495	\$ 3,969,810	\$ 5,542,840

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, 2018 (With Comparative Totals as of June 30, 2017)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund	Grants Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal government	663,378	-	-	-	267,341
State government	-	-	-	-	29,768
Other	-	-	-	-	50,068
Interest on investments	-	3,073	142	91	-
Program income	38,047	-	13,063	-	-
Donations	-	-	-	-	-
Revenue in lieu	-	695,000	-	-	-
Other	-	-	25	-	-
Total revenues	701,425	698,073	13,230	91	347,177
EXPENDITURES					
Environment and development	701,425	315,624	8,028	-	371,693
Public safety	-	-	-	-	61,781
Leisure activities	-	-	-	-	-
Total expenditures	701,425	315,624	8,028	-	433,474
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	382,449	5,202	91	(86,297)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	96,023
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	96,023
NET CHANGE IN TOTAL FUND BALANCES	-	382,449	5,202	91	9,726
FUND BALANCES, BEGINNING	113,836	816,901	22,050	47,073	29,155
FUND BALANCES, ENDING	\$ 113,836	\$ 1,199,350	\$ 27,252	\$ 47,164	\$ 38,881

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Affordable			Comparative Totals	
	Downtown Service District	Housing Development Reserve Fund	Library Gift Fund	2018	2017
REVENUES					
Taxes	\$ 311,950	\$ -	\$ -	\$ 311,950	\$ 278,262
Intergovernmental revenues					
Federal government	-	-	56,979	987,698	625,110
State government	-	-	-	29,768	44,778
Other	73,500	-	-	123,568	176,677
Interest on investments	228	-	1,031	4,565	1,222
Program income	-	-	-	51,110	24,086
Donations	-	-	173,916	173,916	334,124
Revenue in lieu	-	-	-	695,000	455,600
Other	-	-	-	25	700
Total revenues	385,678	-	231,926	2,377,600	1,940,559
EXPENDITURES					
Environment and development	374,845	918,328	-	2,689,943	1,701,479
Public safety	-	-	-	61,781	99,042
Leisure activities	-	-	255,970	255,970	224,900
Total expenditures	374,845	918,328	255,970	3,007,694	2,025,421
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,833	(918,328)	(24,044)	(630,094)	(84,862)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	688,395	-	784,418	1,726,535
Transfers to other funds	-	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	-	688,395	(45,000)	739,418	1,681,535
NET CHANGE IN TOTAL FUND BALANCES	10,833	(229,933)	(69,044)	109,324	1,596,673
FUND BALANCES, BEGINNING	104,112	1,060,385	315,659	2,509,171	912,498
FUND BALANCES, ENDING	\$ 114,945	\$ 830,452	\$ 246,615	\$ 2,618,495	\$ 2,509,171

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2018	2017
REVENUES						
Intergovernmental revenues						
Federal government	\$ -	\$ -	\$ 439,402	\$ 174,823	\$ 614,225	\$ 370,007
State government	-	-	-	-	-	66,520
Other	520,000	-	2,294,144	-	2,814,144	4,771
Interest on investments	7,449	661	-	-	8,110	3,481
Franchise rental fees	59,650	-	-	-	59,650	57,963
Program income	22,590	-	-	-	22,590	22,512
Revenue in lieu	57,276	-	-	-	57,276	141,709
Other	-	-	-	1,159	1,159	6,944
Total revenues	666,965	661	2,733,546	175,982	3,577,154	673,907
EXPENDITURES						
Capital projects:						
Municipal facilities	245,378	-	-	174,823	420,201	1,018,812
Street improvements and sidewalks	19,346	-	-	-	19,346	185,501
Parks, recreation and open space	291,379	-	-	-	291,379	224,674
Technology and communications	-	-	-	-	-	71,173
Public safety	1,470,027	-	-	-	1,470,027	88,333
Transit equipment and improvements	-	-	3,355,317	-	3,355,317	134,896
Total expenditures	2,026,130	-	3,355,317	174,823	5,556,270	1,723,389
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,359,165)	661	(621,771)	1,159	(1,979,116)	(1,049,482)
OTHER FINANCING SOURCES (USES)						
Transfer from other funds	490,700	-	621,771	-	1,112,471	1,505,878
Transfer to other funds	(815,709)	-	-	-	(815,709)	(450,000)
Total other financing sources (uses)	(325,009)	-	621,771	-	296,762	1,055,878
NET CHANGE IN TOTAL FUND BALANCES	(1,684,174)	661	-	1,159	(1,682,354)	6,396
FUND BALANCES, BEGINNING	2,811,625	215,525	-	6,519	3,033,669	3,027,273
FUND BALANCES, ENDING	\$ 1,127,451	\$ 216,186	\$ -	\$ 7,678	\$ 1,351,315	\$ 3,033,669

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, 2018 (With Comparative Totals as of June 30, 2017)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2018	2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,535,486	\$ 661,796	\$ 447,712	\$ 2,644,994	\$ 3,119,988
Accounts receivable	-	14,065	-	14,065	18,597
Inventories	-	63,720	-	63,720	60,734
Total current assets	1,535,486	739,581	447,712	2,722,779	3,199,319
NONCURRENT ASSETS					
Capital assets, net of depreciation	3,495,554	26,576	-	3,522,130	4,085,811
Total noncurrent assets	3,495,554	26,576	-	3,522,130	4,085,811
TOTAL ASSETS	5,031,040	766,157	447,712	6,244,909	7,285,130
DEFERRED OUTFLOWS OF RESOURCES					
Pension and OPEB deferrals	-	116,854	-	116,854	114,582
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	-	175,811	61,212	237,023	315,839
Accrued liabilities	-	11,523	-	11,523	10,527
Compensated absences	-	26,266	-	26,266	27,640
Installment purchase agreements	390,167	-	-	390,167	629,009
Total current liabilities	390,167	213,600	61,212	664,979	983,015
NONCURRENT LIABILITIES					
Compensated absences	-	9,823	-	9,823	3,978
Net other postemployment liability	-	680,806	-	680,806	389,120
Net pension liability	-	84,596	-	84,596	119,832
Installment purchase agreements	327,090	-	-	327,090	717,260
Total noncurrent liabilities	327,090	775,225	-	1,102,315	1,230,190
TOTAL LIABILITIES	717,257	988,825	61,212	1,767,294	2,213,205
DEFERRED INFLOWS OF RESOURCES					
Pension and OPEB deferrals	-	61,154	-	61,154	23,072
NET POSITION					
Net investment in capital assets	2,778,297	26,576	-	2,804,873	2,739,542
Unrestricted	1,535,486	(193,544)	386,500	1,728,442	2,423,893
TOTAL NET POSITION	\$ 4,313,783	\$ (166,968)	\$ 386,500	\$ 4,533,315	\$ 5,163,435

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2018	2017
OPERATING REVENUES					
Charges for services	\$ 835,995	\$ 1,373,350	\$ -	\$ 2,209,345	\$ 2,723,615
OPERATING EXPENSES					
Depreciation and amortization	1,159,001	4,832	-	1,163,833	1,216,111
Personnel	-	590,790	-	590,790	612,960
Operations	7,430	733,688	144,502	885,620	919,184
Total operating expenses	1,166,431	1,329,310	144,502	2,640,243	2,748,255
OPERATING INCOME (LOSS)	(330,436)	44,040	(144,502)	(430,898)	(24,640)
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	51,671	-	51,671	19,194
Interest on investments	4,494	1,919	1,563	7,976	4,911
Interest expense	(21,382)	-	-	(21,382)	(39,349)
Gain on sale of capital assets	85,294	-	-	85,294	115,821
Total nonoperating revenues (expenses), net	68,406	53,590	1,563	123,559	100,577
CHANGE IN NET POSITION	(262,030)	97,630	(142,939)	(307,339)	75,937
NET POSITION, PREVIOUSLY REPORTED RESTATEMENT	4,575,813	58,183	529,439	5,163,435	5,087,498
	-	(322,781)	-	(322,781)	-
NET POSITION, BEGINNING	4,575,813	(264,598)	529,439	4,840,654	5,087,498
NET POSITION, ENDING	\$ 4,313,783	\$ (166,968)	\$ 386,500	\$ 4,533,315	\$ 5,163,435

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 835,995	\$ 1,377,882	\$ -	\$ 2,213,877	\$ 2,966,625
Payments to employees	-	(615,844)	-	(615,844)	(580,140)
Payments to suppliers	(275,473)	(608,659)	(83,290)	(967,422)	(1,027,894)
Net cash provided by (used in) operating activities	560,522	153,379	(83,290)	630,611	1,358,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on installment purchase agreements	(629,012)	-	-	(629,012)	(867,484)
Interest paid on installment purchase agreements	(21,382)	-	-	(21,382)	(39,349)
Proceeds from sale of capital assets	85,294	-	-	85,294	115,821
Proceeds from insurance recovery	-	51,671	-	51,671	19,194
Acquisition and construction of capital assets	(600,152)	-	-	(600,152)	(1,509,017)
Net cash provided by (used in) capital and related financing activities	(1,165,252)	51,671	-	(1,113,581)	(2,280,835)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	4,494	1,919	1,563	7,976	4,911
Net cash provided by investing activities	4,494	1,919	1,563	7,976	4,911

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018 (With Comparative Totals as of June 30, 2017)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2018	2017
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(600,236)	206,969	(81,727)	(474,994)	(917,333)
CASH AND INVESTMENTS, BEGINNING	2,135,722	454,827	529,439	3,119,988	4,037,321
CASH AND INVESTMENTS, ENDING	<u>\$ 1,535,486</u>	<u>\$ 661,796</u>	<u>\$ 447,712</u>	<u>\$ 2,644,994</u>	<u>\$ 3,119,988</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (330,436)	\$ 44,040	\$ (144,502)	\$ (430,898)	\$ (24,640)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,159,001	4,832	-	1,163,833	1,216,111
Changes in assets and liabilities:					
Receivables	-	4,532	-	4,532	(1,293)
Inventories	-	(2,986)	-	(2,986)	(23,504)
Accounts payable	(268,043)	128,015	61,212	(78,816)	159,097
Accrued liabilities	-	996	-	996	1,407
Compensated absences	-	4,471	-	4,471	(1,706)
Accrued OPEB liability	-	(31,095)	-	(31,095)	27,364
Deferred outflows of resources for pensions	-	574	-	574	5,755
Net cash provided (used) by operating activities	<u>\$ 560,522</u>	<u>\$ 153,379</u>	<u>\$ (83,290)</u>	<u>\$ 630,611</u>	<u>\$ 1,358,591</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 29,470,000	\$ 29,470,000	\$ 30,108,999	\$ 638,999
Ad valorem taxes - prior years	115,000	115,000	97,626	(17,374)
Interest on delinquent taxes	50,000	50,000	64,847	14,847
Interest on state held taxes	-	-	2,492	2,492
Local option sales taxes	13,677,177	13,677,177	13,364,922	(312,255)
Occupancy tax	1,225,000	1,225,000	1,281,711	56,711
Other taxes	75,000	75,000	85,932	10,932
Total taxes	44,612,177	44,612,177	45,006,529	394,352
Licenses and permits				
Motor vehicles	450,000	450,000	444,907	(5,093)
Privilege licenses	5,000	5,000	4,930	(70)
Building permits	1,303,585	1,303,585	2,338,843	1,035,258
Special use permits	120,000	120,000	159,465	39,465
Work zone traffic permits	35,000	35,000	34,800	(200)
Engineering permits	32,000	32,000	91,936	59,936
Fire inspection fees	91,680	91,680	108,629	16,949
Traffic impact study and fees	102,000	102,000	17,520	(84,480)
Police permits	40,000	40,000	76,335	36,335
Fire permits	23,900	23,900	45,233	21,333
Total licenses and permits	2,203,165	2,203,165	3,322,598	1,119,433
Fines and forfeitures				
Garbage citations and leash law fees	1,900	1,900	3,530	1,630
Parking tickets and towing fees	29,700	29,700	16,065	(13,635)
False alarm fees	30,000	30,000	17,318	(12,682)
Total fines and forfeitures	61,600	61,600	36,913	(24,687)

Continued

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2018

	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	270,000	270,000	259,235	(10,765)
Fuel tax (Powell Bill) funds	1,463,000	1,463,000	1,457,558	(5,442)
State fire protection	1,115,590	1,115,590	1,106,256	(9,334)
Utility franchise tax	4,400,000	4,400,000	4,185,616	(214,384)
Video programming tax	700,000	700,000	652,556	(47,444)
Supplemental PEG support	82,750	82,750	80,272	(2,478)
Solid waste disposal tax	38,000	38,000	39,763	1,763
State library aid	28,064	28,064	28,456	392
NCDOT Reimbursement grant	100,000	100,000	-	(100,000)
State Equitable Sharing - Drug	6,000	6,000	4,024	(1,976)
Total State of North Carolina	8,203,404	8,203,404	7,813,736	(389,668)
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	568,139	568,139	568,139	-
Carrboro contribution	-	10,000	10,000	-
Miscellaneous local grants	-	20,500	23,000	2,500
Total other	651,899	682,399	684,899	2,500
Total intergovernmental revenues	8,868,303	8,898,803	8,498,635	(400,168)

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 111,719	\$ 111,719	\$ 121,363	\$ 9,644
Library delinquent collection fees	5,088	5,088	5,187	99
Street cuts and right of way	45,000	45,000	20,856	(24,144)
Traffic signals	263,400	263,400	331,365	67,965
Rent revenue	360,875	360,875	432,585	71,710
Cemetery staking	100	100	2,175	2,075
Fire districts	278,550	278,550	272,664	(5,886)
Solid waste collection	387,248	387,248	438,678	51,430
Planning review	291,770	336,420	165,007	(171,413)
Engineering review	25,000	25,000	17,522	(7,478)
Recreation	900,325	900,325	826,822	(73,503)
Charges to other funds	1,541,701	1,541,701	1,356,118	(185,583)
Total charges for services	4,210,776	4,255,426	3,990,342	(265,084)
Interest on investments	50,000	50,000	72,812	22,812
Other				
Sales - planning and documents	23,103	23,103	27,524	4,421
Sales - capital assets	10,000	10,000	14,544	4,544
Sales - fuel	9,000	9,000	8,398	(602)
Sales - miscellaneous	16,750	16,750	13,455	(3,295)
Cemetery lot sales	500	500	12,250	11,750
Court fees	25,000	25,000	25,710	710
Mutual aid reimbursements	527,920	527,920	497,427	(30,493)
Gifts and donations	75,000	91,000	62,498	(28,502)
Revenue in lieu	-	15,288	85,511	70,223
Insurance recovery	20,000	20,000	17,792	(2,208)
Miscellaneous	88,700	88,700	157,274	68,574
Total other revenues	795,973	827,261	922,383	95,122
TOTAL REVENUES	60,801,994	60,908,432	61,850,212	941,780

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Mayor/Council	\$ 489,019	\$ 489,019	\$ 480,990	\$ 8,029
Manager/CaPA	2,581,749	2,648,885	2,525,199	123,686
Human Resources	1,742,803	2,001,169	1,669,232	331,937
Business Management	2,208,315	2,218,404	2,140,442	77,962
Technology Solutions	1,951,215	2,011,286	1,849,164	162,122
Attorney	348,947	348,947	337,189	11,758
Total general government	9,322,048	9,717,710	9,002,216	715,494
Environment and development				
Planning and Sustainability	2,185,755	2,981,569	2,507,058	474,511
Inspections	1,541,228	1,579,048	1,396,669	
Housing and Community	774,487	789,487	733,577	55,910
Public Works	12,273,397	12,397,294	11,847,895	549,399
Total environment and development	16,774,867	17,747,398	16,485,199	1,079,820
Public safety				
Police	13,615,645	13,653,100	12,214,981	1,438,119
Fire	9,246,898	9,281,441	8,786,448	494,993
Total public safety	22,862,543	22,934,541	21,001,429	1,933,112
Leisure activities				
Parks and recreation	7,375,935	7,274,904	6,752,391	522,513
Library	3,136,058	3,487,226	3,291,755	195,471
Total leisure activities	10,511,993	10,762,130	10,044,146	717,984
Nondepartmental				
Liability insurance	400,000	400,000	335,987	64,013
Supplemental PEG expense	210,000	210,000	180,435	29,565
Contributions to agencies	1,112,137	1,215,892	1,165,431	50,461
Contribution to OPEB liability	630,000	630,000	630,000	-
Retiree medical insurance	1,347,500	1,347,500	1,431,190	(83,690)
General government	1,041,348	622,520	152,836	469,684
Reserve for lapsed salary	(1,250,000)	(1,250,000)	-	(1,250,000)
Total nondepartmental	3,490,985	3,175,912	3,895,879	(719,967)
Total expenditures	62,962,436	64,337,691	60,428,869	3,908,822

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,160,442)	(3,429,259)	1,421,343	4,850,602
OTHER FINANCING SOURCES (USES)				
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Afford Hsg Develop Reserve Fund	-	(688,395)	(688,395)	-
Transfer to Stormwater Fund	(7,200)	(9,400)	(9,400)	-
Transfer to Capital Projects Ordinance Fund	-	(10,300)	(10,300)	-
Transfer to Capital Projects Fund	(476,500)	(490,700)	(490,700)	-
Transfer to Grants Fund	(84,864)	(98,635)	(96,023)	2,612
Appropriated fund balance	<u>2,684,006</u>	<u>4,681,689</u>	<u>-</u>	<u>(4,681,689)</u>
Total other financing sources (uses)	<u>2,160,442</u>	<u>3,429,259</u>	<u>(1,249,818)</u>	<u>(4,679,077)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	171,525	<u>\$ 171,525</u>
FUND BALANCE, BEGINNING			<u>24,509,972</u>	
FUND BALANCE, ENDING			<u><u>\$ 24,681,497</u></u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes - current year	\$ 6,430,000	\$ 6,430,000	\$ 6,566,255	\$ 136,255
Ad valorem taxes - prior years	13,000	13,000	15,165	2,165
Intergovernmental revenues:				
Federal government	170,000	170,000	170,188	188
Interest on investments	7,500	7,500	25,357	17,857
Total revenues	<u>6,620,500</u>	<u>6,620,500</u>	<u>6,776,965</u>	<u>156,465</u>
EXPENDITURES				
Debt service:				
Principal	5,338,000	5,338,000	5,338,000	-
Interest and fiscal charges	<u>2,204,793</u>	<u>2,204,793</u>	<u>2,204,661</u>	<u>132</u>
Total expenditures	<u>7,542,793</u>	<u>7,542,793</u>	<u>7,542,661</u>	<u>132</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(922,293)	(922,293)	(765,696)	156,597
OTHER FINANCING SOURCES				
Transfer from other funds	906,832	906,832	906,831	(1)
Appropriated fund balance	<u>15,461</u>	<u>15,461</u>	<u>-</u>	<u>(15,461)</u>
Total other financing sources	<u>922,293</u>	<u>922,293</u>	<u>906,831</u>	<u>(15,462)</u>
NET CHANGE IN TOTAL FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>141,135</u>	<u>\$ 141,135</u>
FUND BALANCES, BEGINNING			<u>7,048,523</u>	
FUND BALANCES, ENDING			<u>\$ 7,189,658</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, 2018**

	Project		Actual	
	Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 3,044,386	\$ 3,089,561	\$ 143,026	\$ 3,232,587
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	3,074,053	1,758,760	64,404	1,823,164
U.S. DOE SEEA Grant	777,672	777,672	-	777,672
Other Federal Grants	2,247,973	1,339,350	249,224	1,588,574
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	3,658,431	1,765,915	1,518,016	3,283,931
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	919,621	226,812	347,002	573,814
Orange County parks bonds	8,482,520	8,482,520	-	8,482,520
Other Grants	1,219,721	1,192,657	10,064	1,202,721
Charges for services	268,005	268,005	-	268,005
Donations	1,613,993	813,928	-	813,928
Revenue in lieu	386,203	285,971	439,446	725,417
Other	2,311,651	2,314,848	-	2,314,848
Total revenues	30,427,592	24,795,227	2,771,182	27,566,409
EXPENDITURES				
Parks, recreation, library and open space capital improvements	63,996,721	60,385,005	2,229,012	62,614,017
Public safety capital improvements	5,569,834	3,450,153	1,875,003	5,325,156
Public works facility	31,083,380	30,994,531	14,115	31,008,646
Public safety facility	1,692,474	187,479	442,759	630,238
Municipal facilities	11,732,363	11,213,255	89,202	11,302,457
Sewer capital improvements	1,456,853	396,729	216,470	613,199
Software development	300,000	274,798	-	274,798
Street and sidewalk improvements	31,345,801	18,343,489	2,122,466	20,465,955
Debt service:				
Principal	4,300,000	-	2,150,000	2,150,000
Interest and fiscal charges	43,000	-	43,000	43,000
Total expenditures	151,520,426	125,245,439	9,182,027	134,427,466
DEFICIENCY OF REVENUES OVER EXPENDITURES	(121,092,834)	(100,450,212)	(6,410,845)	(106,861,057)

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, 2018**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	72,326,501	66,831,876	9,800,000	76,631,876
Proceeds from financing	36,601,426	36,598,230	-	36,598,230
Premium on debt	1,240,028	720,484	519,544	1,240,028
Transfer from General Fund	8,664,396	8,654,096	10,300	8,664,396
Transfer from Capital Projects Fund	1,590,655	1,289,945	300,709	1,590,654
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	(84,928)	(84,928)	-	(84,928)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	121,092,834	114,741,378	10,630,553	125,371,931
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 14,291,166	4,219,708	\$ 18,510,874
FUND BALANCE, BEGINNING			14,291,166	
FUND BALANCE, ENDING			\$ 18,510,874	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance -
	Original	Final	Actual	Positive
				(Negative)
REVENUES				
Intergovernmental revenues:				
Other	\$ -	\$ 520,000	\$ 520,000	\$ -
Interest on investments	2,500	2,500	7,449	4,949
Franchise rental fees	60,000	60,000	59,650	(350)
Program income	22,260	22,260	22,590	330
Revenue in lieu	-	53,076	57,276	4,200
	<u>84,760</u>	<u>657,836</u>	<u>666,965</u>	<u>9,129</u>
Total revenues				
EXPENDITURES				
Capital projects:				
Municipal facilities	222,260	467,951	245,378	222,573
Street improvements and sidewalks	-	23,346	19,346	4,000
Parks, recreation and open space	259,000	372,738	291,379	81,359
Technology and communications	80,000	80,000	-	80,000
Public safety	-	1,601,267	1,470,027	131,240
	<u>561,260</u>	<u>2,545,302</u>	<u>2,026,130</u>	<u>519,172</u>
Total expenditures				
DEFICIENCY OF REVENUES				
OVER EXPENDITURES	<u>(476,500)</u>	<u>(1,887,466)</u>	<u>(1,359,165)</u>	<u>528,301</u>
OTHER FINANCING SOURCES (USES)				
Transfer from General Fund	476,500	490,700	490,700	-
Transfer to Capital Projects Ordinance Fund	-	(300,709)	(300,709)	-
Transfer to Parking Facilities Fund	-	(515,000)	(515,000)	-
Appropriated fund balance	-	2,212,475	-	(2,212,475)
	<u>476,500</u>	<u>1,887,466</u>	<u>(325,009)</u>	<u>(2,212,475)</u>
Total other financing sources				
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,684,174)</u>	<u>\$ (1,684,174)</u>
FUND BALANCE, BEGINNING			<u>2,811,625</u>	
FUND BALANCE, ENDING			<u>\$ 1,127,451</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 240	\$ 240	\$ 661	\$ 421
Total revenues	240	240	661	421
EXCESS OF REVENUES OVER EXPENDITURES	240	240	661	421
OTHER FINANCING USES				
Contribution to reserve	(240)	(240)	-	240
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	661	\$ 661
FUND BALANCE, BEGINNING			215,525	
FUND BALANCE, ENDING			\$ 216,186	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenue				
Federal government	\$ 4,188,316	\$ 1,148,199	\$ 439,402	\$ 1,587,601
State government	144,448	8,851	-	8,851
Other	2,550,606	240,130	2,294,144	2,534,274
	<u>6,883,370</u>	<u>1,397,180</u>	<u>2,733,546</u>	<u>4,130,726</u>
EXPENDITURES				
Bus purchases	6,103,693	98,334	3,194,800	3,293,134
Equipment and improvements	815,583	362,959	-	362,959
Administration	1,577,078	1,218,625	160,517	1,379,142
	<u>8,496,354</u>	<u>1,679,918</u>	<u>3,355,317</u>	<u>5,035,235</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(1,612,984)</u>	<u>(282,738)</u>	<u>(621,771)</u>	<u>(904,509)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	1,612,984	282,738	621,771	904,509
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, 2018**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Capital Grant 2013	444,974	407,973	22,762	430,735
Capital Grant 2014	449,057	56,650	80,189	136,839
Capital Grant 2015	454,460	53,988	25,542	79,530
Capital Grant 2016	521,212	-	46,330	46,330
Capital Grant 2017	549,598	-	-	-
Total federal government	2,419,301	518,611	174,823	693,434
Other revenues	45,779	44,620	1,159	45,779
 Total revenues	 2,465,080	 563,231	 175,982	 739,213
EXPENDITURES				
Environment and development	2,465,080	556,712	174,823	731,535
 NET CHANGE IN TOTAL FUND BALANCE	 \$ -	 \$ 6,519	 1,159	 \$ 7,678
 FUND BALANCE, BEGINNING			 6,519	
 FUND BALANCE, ENDING			 \$ 7,678	

**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, 2018**

	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	404,761	-	404,761
Block Grant 16	387,702	33,460	354,242	387,702
Block Grant 17	-	-	309,136	309,136
Program income	<u>22,015</u>	<u>22,016</u>	<u>38,047</u>	<u>60,063</u>
Total revenues	<u>1,217,983</u>	<u>863,742</u>	<u>701,425</u>	<u>1,565,167</u>
EXPENDITURES				
Public improvement	94,714	29,753	984	30,737
Neighborhood revitalization	789,283	398,368	562,778	961,146
Administration	200,318	192,148	85,624	277,772
Community services	<u>133,668</u>	<u>129,637</u>	<u>52,039</u>	<u>181,676</u>
Total expenditures	<u>1,217,983</u>	<u>749,906</u>	<u>701,425</u>	<u>1,451,331</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, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 44,740	\$ 47,329	\$ 3,073	\$ 50,402
Program income	650,799	650,800	-	650,800
Revenue in lieu	2,846,560	2,236,560	695,000	2,931,560
Total revenues	3,542,099	2,934,689	698,073	3,632,762
EXPENDITURES				
Environment and development	3,697,877	2,273,567	315,624	2,589,191
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(155,778)	661,122	382,449	1,043,571
OTHER FINANCING SOURCES				
Transfer from other funds	155,778	155,779	-	155,779
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 816,901	382,449	\$ 1,199,350
FUND BALANCE, BEGINNING			816,901	
FUND BALANCE, ENDING			\$ 1,199,350	

**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, 2018**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	710	142	852
Program income	115,534	120,927	13,063	133,990
Other	-	305	25	330
	<u>476,413</u>	<u>362,718</u>	<u>13,230</u>	<u>375,948</u>
Total revenues				
	<u>476,413</u>	<u>362,718</u>	<u>13,230</u>	<u>375,948</u>
EXPENDITURES				
Environment and development	<u>493,913</u>	<u>358,168</u>	<u>8,028</u>	<u>366,196</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>4,550</u>	<u>5,202</u>	<u>9,752</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>\$ 22,050</u>	<u>5,202</u>	<u>\$ 27,252</u>
FUND BALANCE, BEGINNING			<u>22,050</u>	
FUND BALANCE, ENDING			<u>\$ 27,252</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, 2018**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,898	91	1,989
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,946</u>	<u>91</u>	<u>482,037</u>
Total revenues				
	<u>231,250</u>	<u>481,946</u>	<u>91</u>	<u>482,037</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>\$ 47,073</u>	91	<u>\$ 47,164</u>
FUND BALANCE, BEGINNING			<u>47,073</u>	
FUND BALANCE, ENDING			<u>\$ 47,164</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues				
Federal government	\$ 293,563	\$ 323,364	\$ 267,341	\$ (56,023)
State government	17,150	17,150	29,768	12,618
Other	9,063	138,317	50,068	(88,249)
Total revenues	319,776	478,831	347,177	(131,654)
EXPENDITURES				
Environment and development	404,640	404,640	371,693	32,947
Public safety	-	193,800	61,781	132,019
Total expenditures	404,640	598,440	433,474	164,966
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(84,864)	(119,609)	(86,297)	33,312
OTHER FINANCING SOURCES				
Transfer from other funds	84,864	98,635	96,023	(2,612)
Appropriated fund balance	-	20,974	-	(20,974)
Total other financing sources	84,864	119,609	96,023	(23,586)
NET CHANGE IN TOTAL FUND BALANCE				
	\$ -	\$ -	9,726	\$ 9,726
FUND BALANCE, BEGINNING				
			29,155	
FUND BALANCE, ENDING				
			\$ 38,881	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	\$ 310,610	\$ 310,610	\$ 310,286	\$ (324)
Interest on delinquent taxes	1,000	1,000	1,664	664
Intergovernmental revenues - other	73,500	73,500	73,500	-
Interest on investments	-	-	228	228
Other	528	528	-	(528)
Total revenues	385,638	385,638	385,678	40
EXPENDITURES				
Environment and development	382,838	382,838	374,845	7,993
EXCESS OF REVENUES OVER EXPENDITURES	2,800	2,800	10,833	8,033
OTHER FINANCING USES				
Contribution to reserve	(2,800)	(2,800)	-	2,800
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	10,833	\$ 10,833
FUND BALANCE, BEGINNING			104,112	
FUND BALANCE, ENDING			\$ 114,945	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING DEVELOPMENT RESERVE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance -
	Original	Final	Actual	Positive
				(Negative)
EXPENDITURES				
Environment and development	\$ -	\$ 1,748,780	\$ 918,328	\$ 830,452
DEFICIENCY OF REVENUES				
OVER EXPENDITURES	-	(1,748,780)	(918,328)	830,452
OTHER FINANCING SOURCES				
Transfer from other funds	-	1,748,780	688,395	(1,060,385)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	(229,933)	\$ (229,933)
FUND BALANCE, BEGINNING			1,060,385	
FUND BALANCE, ENDING			\$ 830,452	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Intergovernmental revenues				
Federal government	\$ 119,740	\$ 163,261	\$ 56,979	\$ (106,282)
Interest on investments	-	-	1,031	1,031
Library donations	124,765	168,765	173,916	5,151
	<u>244,505</u>	<u>332,026</u>	<u>231,926</u>	<u>(100,100)</u>
Total revenues				
EXPENDITURES				
Leisure activities	199,505	496,856	255,970	240,886
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>45,000</u>	<u>(164,830)</u>	<u>(24,044)</u>	<u>140,786</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(45,000)	(45,000)	(45,000)	-
Appropriated fund balance	-	209,830	-	(209,830)
	<u>(45,000)</u>	<u>164,830</u>	<u>(45,000)</u>	<u>(209,830)</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(69,044)</u>	<u>\$ (69,044)</u>
FUND BALANCE, BEGINNING			<u>315,659</u>	
FUND BALANCE, ENDING			<u>\$ 246,615</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 306,238	\$ (84,207)
Bus advertising	163,132	163,132	156,958	(6,174)
Other	420,778	420,778	523,590	102,812
Total charges for services	974,355	974,355	986,786	12,431
OPERATING EXPENSES				
Personnel	14,616,252	14,520,488	12,794,030	1,726,458
Fuel and tires	1,616,056	1,531,532	1,178,991	352,541
Indirect costs	1,336,125	1,336,125	1,165,759	170,366
Building maintenance	852,912	886,659	615,999	270,660
Vehicle maintenance	1,938,476	2,193,344	1,182,437	1,010,907
Insurance	421,621	379,621	286,006	93,615
Advertising and marketing	156,036	159,036	46,123	112,913
Tarheel Express	308,743	312,743	251,345	61,398
Uniforms and supplies	153,800	168,600	128,914	39,686
Professional services	77,891	85,391	81,580	3,811
Contracted services	100,055	1,858,152	575,545	1,282,607
Other	311,025	464,066	276,352	187,714
Total operating expenses	21,888,992	23,895,757	18,583,081	5,312,676
OPERATING LOSS	(20,914,637)	(22,921,402)	(17,596,295)	5,325,107
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,944,719	2,168,532	944,605	(1,223,927)
State Operating Assistance Grant	2,539,695	3,415,593	3,667,530	251,937
Operating assistance-UNC Chapel Hill	7,288,468	7,288,468	7,363,164	74,696
Operating assistance-Town of Carrboro	1,481,821	1,481,821	1,455,012	(26,809)
Operating assistance - TTA Vehicle Fees	1,739,000	3,239,000	2,964,287	(274,713)
Vehicle licenses	454,350	454,350	444,149	(10,201)
Ad valorem taxes	3,933,702	3,933,702	4,012,875	79,173
Interest on investments	9,000	9,000	48,822	39,822
Insurance recovery	50,000	50,000	20,826	(29,174)
Capital outlay	(20,000)	(177,411)	(65,531)	111,880
Loss from sale of capital assets	12,300	12,300	(67,989)	(80,289)
Debt service	-	(716,310)	(716,244)	66
Contribution to reserve	(967,000)	(250,690)	-	250,690
Revenue in lieu	26,500	26,500	-	(26,500)
Appropriated fund balance	2,522,082	3,422,504	-	(3,422,504)
Total nonoperating revenues (expenses), net	21,014,637	24,357,359	20,071,506	(4,285,853)
INCOME (LOSS) BEFORE TRANSFERS	100,000	1,435,957	2,475,211	1,039,254

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers out	(100,000)	(1,435,957)	(621,771)	814,186
Total transfers	(100,000)	(1,435,957)	(621,771)	814,186
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	1,853,440	<u>\$ 1,853,440</u>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(5,585)	
Accrued OPEB liability			590,808	
Pension Expense			(13,785)	
Debt service principal			560,000	
Capital outlay			65,531	
Depreciation and amortization			(4,365,184)	
Capital contributions			<u>3,174,767</u>	
Change in net position			<u>\$ 1,859,992</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,593,050	\$ 2,626,674	\$ 2,494,701	\$ (131,973)
OPERATING EXPENSES				
Personnel	839,816	837,131	750,373	86,758
Maintenance and repairs	96,238	88,193	38,594	49,599
Credit card fees	111,700	119,780	108,471	11,309
Lot rent	237,220	354,554	328,813	25,741
Indirect costs	82,365	82,365	74,377	7,988
Contracted services	78,200	157,540	143,718	13,822
Other	222,118	213,664	182,122	31,542
Total operating expenses	1,667,657	1,853,227	1,626,468	226,759
OPERATING INCOME	925,393	773,447	868,233	94,786
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,750	1,750	1,328	(422)
Insurance recovery	5,000	5,000	2,714	(2,286)
Proceeds from sale of capital assets	-	300,000	300,000	-
Capital outlay	-	(750,881)	(327,556)	423,325
Contribution to reserve	(23,562)	-	-	-
Appropriated fund balance	-	64,265	-	(64,265)
Total nonoperating revenues (expenses), net	(16,812)	(379,866)	(23,514)	356,352
INCOME BEFORE TRANSFERS	908,581	393,581	844,719	451,138
TRANSFERS				
Transfers in	92,524	607,524	515,000	(92,524)
Transfers out	(1,001,105)	(1,001,105)	(906,831)	94,274
Total transfers	(908,581)	(393,581)	(391,831)	1,750
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	452,888	\$ 452,888
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			6,639	
Accrued OPEB liability			28,402	
Pension expense			(574)	
Capital outlay			327,556	
Depreciation and amortization			(85,165)	
Change in net position			\$ 729,746	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 956,416	\$ 956,416	\$ 997,741	\$ 41,325
OPERATING EXPENSES				
Personnel	1,259,337	1,259,172	961,730	297,442
Maintenance and repairs	316,837	308,722	280,158	28,564
Contracted services	242,983	366,950	325,799	41,151
Utilities	169,200	166,800	170,556	(3,756)
Other	315,842	322,280	258,683	63,597
Total operating expenses	2,304,199	2,423,924	1,996,926	426,998
OPERATING LOSS	(1,347,783)	(1,467,508)	(999,185)	468,323
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	990,360	990,360	1,229,562	239,202
Interest on investments	1,950	1,950	1,454	(496)
Insurance recovery	-	32,259	32,259	-
Proceeds from sale of capital assets	-	-	2,479	2,479
Appropriated fund balance	355,473	442,939	-	(442,939)
Total nonoperating revenues (expenses), net	1,347,783	1,467,508	1,265,754	(201,754)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	266,569	\$ 266,569
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(1,811)	
Accrued OPEB liability			46,520	
Pension Expense			(1,149)	
Depreciation and amortization			(637,775)	
Change in net position			\$ (327,646)	

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	\$ 3,680,022	\$ 186,281	3,866,303
114	Cash - tenant security deposits	73,354	-	73,354
100	Total cash	3,753,376	186,281	3,939,657
124	Accounts receivable - Other Governmental	66,950	22,610	89,560
126	Accounts receivable - Tenants dwelling rents	35,917	-	35,917
126.1	Allowance for doubtful accounts - Tenants dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	95,455	22,610	118,065
143	Inventories	42,218	-	42,218
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total inventories	40,757	-	40,757
150	TOTAL CURRENT ASSETS	3,889,588	208,891	4,098,479
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	696,191	-	696,191
	Accumulated depreciation	(17,144,310)	-	(17,144,310)
166	Construction in progress	299,014	-	299,014
160	Total capital assets, net of accumulated depreciation	9,053,097	-	9,053,097
180	TOTAL NONCURRENT ASSETS	9,053,097	-	9,053,097
190	TOTAL ASSETS	12,942,685	208,891	13,151,576
DEFERRED OUTFLOWS OF RESOURCES:				
200	Contributions to pension plan	223,010	-	223,010
290	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,165,695	\$ 208,891	\$ 13,374,586
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 471,592	\$ 201,213	\$ 672,805
321	Accrued wage/payroll taxes payable	16,449	-	16,449
322	Accrued compensated absences - current portion	49,058	-	49,058
341	Tenant security deposits	74,178	-	74,178
310	TOTAL CURRENT LIABILITIES	611,277	201,213	812,490
357	Accrued pension and OPEB liabilities	1,205,571	-	1,205,571
350	TOTAL NON-CURRENT LIABILITIES	1,205,571	-	1,205,571
300	TOTAL LIABILITIES	1,816,848	201,213	2,018,061
DEFERRED INFLOWS OF RESOURCES:				
400	Pension deferrals	84,172	-	84,172
EQUITY:				
508	Investment in general capital assets	9,053,097	-	9,053,097
509	Restricted fund balance	-	7,678	7,678
512	Undesignated fund balance/retained earnings	2,211,578	-	2,211,578
513	TOTAL EQUITY	11,264,675	7,678	11,272,353
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 13,165,695	\$ 208,891	\$ 13,374,586

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	\$ 997,741	\$ -	\$ 997,741
705	Total tenant revenue	997,741	-	997,741
Other revenues:				
706	HUD PHA grants	-	174,823	174,823
706.1	Capital Grants	1,229,562	-	1,229,562
711	Investment income - unrestricted	1,454	-	1,454
715	Other revenue	34,738	1,159	35,897
	Total other revenue	1,265,754	175,982	1,441,736
700	TOTAL REVENUE	2,263,495	175,982	2,439,477
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	307,726	46,279	354,005
915	Employee benefit contributions - administrative	95,327	15,498	110,825
919	Other operating - administrative	300,680	-	300,680
Tenant services:				
924	Tenant services-other	7,690		7,690
Utilities:				
931	Water	132,149	-	132,149
932	Electricity	33,753	-	33,753
933	Gas	4,654	-	4,654
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	339,984	-	339,984
942	Ordinary maintenance and operations - materials	256,158		256,158
943	Ordinary maintenance and operations - contract costs	198,119	-	198,119
945	Employee benefit contributions - ordinary maintenance	173,321	-	173,321
General expenses:				
961	Insurance premiums	58,082	-	58,082
962	Other general expenses	(716)	-	(716)
962.1	Compensated Absences	1,812		1,812
964	Bad debt - tenant rents	12,081	-	12,081
969	TOTAL OPERATING EXPENSES	1,920,820	61,777	1,982,597
970	EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES	342,675	114,205	456,880
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	32,546	113,046	145,592
974	Depreciation Expense	637,775	-	637,775
900	TOTAL EXPENSES	2,591,141	174,823	2,765,964
CHANGE IN NET POSITION		(327,646)	1,159	(326,487)
1103	BEGINNING EQUITY	11,883,689	6,519	11,890,208
1104	Restatement	(291,368)	-	(291,368)
ENDING EQUITY		\$ 11,264,675	\$ 7,678	\$ 11,272,353

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,706,200	\$ 2,704,000	\$ 2,841,275	\$ 137,275
OPERATING EXPENSES				
Personnel	1,296,781	1,299,541	1,214,118	85,423
Drainage maintenance	333,995	336,746	312,204	24,542
Indirect costs	123,211	123,211	115,982	7,229
Professional services	432,000	906,058	402,137	503,921
Contracted services	126,500	144,420	73,709	70,711
Office rent	58,300	58,300	58,108	192
Other	75,881	78,106	63,957	14,149
Total operating expenses	2,446,668	2,946,382	2,240,215	706,167
OPERATING INCOME (LOSS)	259,532	(242,382)	601,060	843,442
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	7,500	7,500	7,500	-
Interest on investments	1,500	1,500	15,163	13,663
Capital outlay	(275,362)	(3,724,788)	(550,514)	3,174,274
Proceeds from bond issuance	-	2,700,000	2,700,000	-
Premium on debt	-	129,554	129,554	-
Revenue in lieu	-	-	6,071	6,071
Contribution to reserve	(370)	-	-	-
Appropriated fund balance	-	1,119,216	-	(1,119,216)
Total nonoperating revenues (expenses), net	(266,732)	232,982	2,307,774	2,074,792
INCOME (LOSS) BEFORE TRANSFERS	(7,200)	(9,400)	2,908,834	2,918,234
TRANSFERS				
Transfers In	7,200	9,400	9,400	-
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	2,918,234	\$ 2,918,234
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(16)	
Accrued OPEB liability			38,930	
Pension Expense			(1,149)	
Capital outlay			550,514	
Depreciation and amortization			(64,025)	
Proceeds from bond issuance			(2,700,000)	
Premium on debt			(129,554)	
Change in net position			\$ 612,934	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2018**

	Financial Plan			Variance - Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Charges for services	\$ 835,995	\$ 835,995	\$ 835,995	\$ -
OPERATING EXPENSES				
Operations	10,000	10,000	7,430	2,570
OPERATING INCOME	825,995	825,995	828,565	2,570
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	2,000	2,000	4,494	2,494
Capital outlay	(786,000)	(1,033,281)	(600,152)	433,129
Debt service	(650,395)	(650,395)	(650,394)	1
Proceeds from sale of capital assets	50,000	50,000	85,294	35,294
Appropriated net position	558,400	805,681	-	(805,681)
Total nonoperating revenues (expenses), net	(825,995)	(825,995)	(1,160,758)	(334,763)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(332,193)	\$ (332,193)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,159,001)	
Capital outlay			600,152	
Debt service principal			629,012	
Change in net position			\$ (262,030)	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2018**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,371,700	\$ 1,371,700	\$ 1,373,350	\$ 1,650
OPERATING EXPENSES				
Personnel	621,816	621,816	616,840	4,976
Operations	788,033	788,106	733,688	54,418
Total operating expenses	1,409,849	1,409,922	1,350,528	59,394
OPERATING INCOME (LOSS)	(38,149)	(38,222)	22,822	61,044
NONOPERATING REVENUES				
Insurance recovery	18,000	18,000	51,671	33,671
Interest on investments	-	-	1,919	1,919
Appropriated net position	20,149	20,222	-	(20,222)
Total nonoperating revenues	38,149	38,222	53,590	15,368
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	76,412	\$ 76,412
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(4,471)	
Accrued OPEB liability			31,095	
Pension Expense			(574)	
Depreciation and amortization			(4,832)	
Change in net position			\$ 97,630	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2018**

	Financial Plan			Variance - Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Operations	146,125	146,125	144,502	1,623
OPERATING LOSS	(146,125)	(146,125)	(144,502)	1,623
NONOPERATING REVENUES				
Interest on investments	-	-	1,563	1,563
Appropriated fund balance	146,125	146,125	-	(146,125)
Total nonoperating revenues	146,125	146,125	1,563	(144,562)
Change in net position	\$ -	\$ -	\$ (142,939)	\$ (142,939)

TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

Fiscal Year	Uncollected Balance 07/01/17	Additions	Collections and Credits	Uncollected Balance 06/30/18
2017-2018	\$ -	\$ 40,816,019 a	\$ 40,679,175 b	\$ 136,844 c
2016-2017	156,692 **	-	82,429	74,263
2015-2016	69,711	-	27,861	41,850
2015-prior	341,213	-	138,402	202,811
Totals	<u>\$ 567,616</u>		<u>\$ 40,927,867</u>	<u>455,768</u>
Less: allowance for uncollectible accounts				<u>305,247</u>
Ad valorem taxes receivable-net				<u><u>\$ 150,521</u></u>
Reconciliation with revenues:				
Ad Valorem taxes - General Fund				\$ 30,273,964
Ad Valorem taxes - Debt Fund				6,581,420
Ad Valorem taxes - Transit Fund				<u>4,012,875</u>
Ad Valorem taxes				\$ 40,868,259
Reconciling item				
Taxes written off				126,947
Interest collected				(64,847)
Interest on state held taxes				<u>(2,492)</u>
Total collections and credits				<u><u>\$ 40,927,867</u></u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2018

	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	\$ 8,034,649,409	0.508	\$ 40,816,019	\$ 37,594,665	\$ 3,221,354
Uncollected taxes at June 30, 2018			136,844 c	129,998	6,846
Current year's taxes collected			\$ 40,679,175 b	\$ 37,464,667	\$ 3,214,508
Current levy collection percentage			99.66%	99.65%	99.79%

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 75,357,987
Restricted	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	19,404,651
Unrestricted	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)	(27,258,231)
Total governmental activities net position	<u>\$ 98,197,260</u>	<u>\$ 99,631,472</u>	<u>\$ 101,392,946</u>	<u>\$ 101,050,956</u>	<u>\$ 94,801,372</u>	<u>\$ 94,706,937</u>	<u>\$ 95,341,834</u>	<u>\$ 95,564,497</u>	<u>\$ 89,506,097</u>	<u>\$ 67,504,407</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 40,360,967
Unrestricted	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	6,782,796
Total business-type activities net position	<u>\$ 60,928,891</u>	<u>\$ 64,534,739</u>	<u>\$ 60,992,851</u>	<u>\$ 55,481,813</u>	<u>\$ 60,616,289</u>	<u>\$ 59,779,339</u>	<u>\$ 55,945,411</u>	<u>\$ 51,720,850</u>	<u>\$ 49,784,951</u>	<u>\$ 47,143,763</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 115,718,954
Restricted	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	19,404,651
Unrestricted	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)	(20,475,435)
Total primary government net position	<u>\$ 159,126,151</u>	<u>\$ 164,166,211</u>	<u>\$ 162,385,797</u>	<u>\$ 156,532,769</u>	<u>\$ 155,417,661</u>	<u>\$ 154,486,276</u>	<u>\$ 151,287,245</u>	<u>\$ 147,285,347</u>	<u>\$ 139,291,048</u>	<u>\$ 114,648,170</u>
Component unit										
Net investment in capital assets	\$ 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	\$ 255,136,679
Restricted	1,232,718	1,253,614	98,616	98,616	151,600	187,910	222,470	260,978	171,013	206,053
Unrestricted	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	9,495,342
Total component unit net position	<u>\$ 200,839,735</u>	<u>\$ 210,473,463</u>	<u>\$ 217,720,375</u>	<u>\$ 217,720,375</u>	<u>\$ 232,137,515</u>	<u>\$ 238,397,316</u>	<u>\$ 245,543,733</u>	<u>\$ 254,558,204</u>	<u>\$ 263,660,047</u>	<u>\$ 264,838,074</u>

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

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

Table 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Expenses										
General government	\$ 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	\$ 13,114,734
Environment and development	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	28,204,380
Public safety	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	24,843,607
Leisure activities	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	12,511,883
Interest	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	2,247,661
Total expenses	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	80,922,265
Program Revenues										
Charges for services:										
General government	\$ 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	\$ 1,805,955
Environment and development	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	3,755,047
Public safety	110,137	130,338	117,747	93,583	100,112	368,938	413,873	477,315	534,893	536,244
Leisure activities	786,346	905,626	952,478	952,023	1,031,436	1,044,868	1,045,413	1,078,897	1,120,649	1,385,957
Operating grants and contributions:										
General government	-	-	63,536	-	-	-	-	-	-	-
Environment and development	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	2,494,215
Public safety	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	1,185,178
Leisure activities	384,824	375,738	372,786	462,978	531,466	595,494	711,614	782,546	773,574	742,834
Capital grants and contributions:										
Environment and development	8,331,927	6,797,577	3,169,734	2,942,009	10,246,880	2,671,685	346,064	790,803	525,538	4,754,718
Public safety	-	-	-	-	-	-	-	-	559,365	852,297
Leisure activities	-	-	85,677	182,506	182,507	797,386	476,120	170,149	402,981	180,252
Total program revenues	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	17,692,697
Total governmental activities net program expense	\$ (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)	\$ (63,229,568)
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 37,167,334
Sales tax	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	13,364,922
Occupancy tax	891,857	806,686	872,115	956,496	981,716	1,044,856	1,100,478	1,202,806	1,187,510	1,281,711
Other taxes	112,700	41,173	51,708	56,452	58,492	59,698	65,384	74,988	77,403	85,932
Grants and contributions not restricted	3,831,599	3,708,032	3,906,365	3,914,798	3,990,640	4,000,460	5,344,082	5,435,534	5,236,898	5,217,442
Investment earnings	261,025	88,220	71,324	34,258	91,575	34,491	39,476	56,872	92,371	253,870
Miscellaneous	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	2,808,749
Transfers	944,494	366,331	226,775	1,480,055	728,692	1,200,050	946,753	907,756	927,575	1,004,202
Total general revenues and other changes in net position	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	61,184,162
Total governmental activities changes in net position	\$ 3,214,906	\$ 1,434,212	\$ 1,761,474	\$ (341,990)	\$ (6,249,584)	\$ (94,435)	\$ 4,103,137	\$ 222,663	\$ (1,931,456)	\$ (2,045,406)

Continued

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

Table 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type activities:										
Expenses										
Transportation	\$ 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	\$ 22,376,827
Parking	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	1,677,166
Housing	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	2,591,141
Stormwater	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	2,266,475
Total expenses	<u>24,015,694</u>	<u>25,281,446</u>	<u>26,452,564</u>	<u>27,697,397</u>	<u>27,906,161</u>	<u>28,203,412</u>	<u>27,868,869</u>	<u>28,702,155</u>	<u>29,866,659</u>	<u>28,911,609</u>
Program Revenues										
Charges for services:										
Transportation	\$ 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	\$ 1,430,935
Parking	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	2,494,701
Housing	415,568	402,701	507,305	618,132	800,165	882,363	910,630	940,223	944,681	997,741
Stormwater	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	2,841,275
Operating grants and contributions:										
Transportation	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	16,394,598
Housing	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	1,229,562
Stormwater	15,295	-	-	-	-	-	-	-	-	7,500
Capital grants and contributions:										
Transportation	6,845,483	5,665,439	180,119	1,804,533	8,952,435	176,358	5,429	-	98,334	3,174,767
Housing	-	-	19,877	1,079,687	-	2,077,462	-	59,118	-	-
Total program revenues	<u>26,082,809</u>	<u>26,287,922</u>	<u>20,026,717</u>	<u>20,896,478</u>	<u>31,701,346</u>	<u>24,467,551</u>	<u>22,565,443</u>	<u>21,409,940</u>	<u>24,933,014</u>	<u>28,571,079</u>
Total business-type activities net program expense	<u>\$ 2,067,115</u>	<u>\$ 1,006,476</u>	<u>\$ (6,425,847)</u>	<u>\$ (6,800,919)</u>	<u>\$ 3,795,185</u>	<u>\$ (3,735,861)</u>	<u>\$ (5,303,426)</u>	<u>\$ (7,292,215)</u>	<u>\$ (4,933,645)</u>	<u>\$ (340,530)</u>
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 4,012,875
Investment earnings	66,369	36,054	25,411	8,709	10,765	15,644	18,067	19,812	34,592	66,767
Miscellaneous	33,270	38,779	155,666	(204,093)	(930,194)	288,341	117,907	112,634	54,891	140,116
Transfers	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)	(946,753)	(907,756)	(927,575)	(1,004,202)
Total general revenues and other changes in net position	<u>1,956,498</u>	<u>2,599,372</u>	<u>2,883,959</u>	<u>1,289,881</u>	<u>1,339,291</u>	<u>2,898,911</u>	<u>2,987,944</u>	<u>3,067,654</u>	<u>2,997,746</u>	<u>3,215,556</u>
Total business-type activities changes in net position	<u>\$ 4,023,613</u>	<u>\$ 3,605,848</u>	<u>\$ (3,541,888)</u>	<u>\$ (5,511,038)</u>	<u>\$ 5,134,476</u>	<u>\$ (836,950)</u>	<u>\$ (2,315,482)</u>	<u>\$ (4,224,561)</u>	<u>\$ (1,935,899)</u>	<u>\$ 2,875,026</u>
Total primary government changes in net position	<u>\$ 7,238,519</u>	<u>\$ 5,040,060</u>	<u>\$ (1,780,414)</u>	<u>\$ (5,853,028)</u>	<u>\$ (1,115,108)</u>	<u>\$ (931,385)</u>	<u>\$ 1,787,655</u>	<u>\$ (4,001,898)</u>	<u>\$ (3,867,355)</u>	<u>\$ 829,620</u>

Continued

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

Table 2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Component unit activities:										
Expenses	\$ 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	\$ 33,340,716
Program Revenues										
Charges for services	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	37,543,243
Capital grants and contributions	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	1,509,516
Total component unit revenues	44,031,278	38,956,934	37,273,390	38,956,934	35,877,864	36,692,357	38,335,553	38,215,845	38,103,470	39,052,759
Total component unit net (expense)/revenue	\$ 13,651,681	\$ 7,155,819	\$ 5,432,558	\$ 7,155,819	\$ 4,213,439	\$ 5,044,268	\$ 6,618,633	\$ 7,475,375	\$ 5,859,775	\$ 5,712,043
General revenues and other changes in net position										
Investment earnings	1,918,195	17,964	29,261	17,964	15,664	14,755	15,133	20,663	32,802	56,524
Miscellaneous	-	1,918,195	1,785,093	1,918,195	1,885,640	1,200,778	1,429,244	1,518,433	3,209,266	1,682,884
Total general revenues and other changes in net position	1,918,195	1,936,159	1,814,354	1,936,159	1,901,304	1,215,533	1,444,377	1,539,096	3,242,068	1,739,408
Total component unit activities changes in net position	\$ 15,569,876	\$ 9,091,978	\$ 7,246,912	\$ 9,091,978	\$ 6,114,743	\$ 6,259,801	\$ 8,063,010	\$ 9,014,471	\$ 9,101,843	\$ 7,451,451

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 Nine Fiscal Years
post-GASB 54
(modified accrual basis of accounting)

Table 3a

	Fiscal Year								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund									
Nonspendable									
Inventories	3,376	3,285	3,341	2,698	2,670	1,599	840	1,697	1,135
Prepaid expenses	1,012	4,702	40,844	19,863	350	49,357	7,551	76,121	99,820
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	6,955,024
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	27,411
Streets capital projects	187,815	143,520	110,310	122,215	213,788	233,158	323,008	382,723	389,435
Public safety	256,141	165,278	158,867	181,091	372,598	217,530	213,023	147,578	156,618
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	3,096,886
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	205,249
Comprehensive plan	157,874	103,291	99,443	-	-	-	-	-	-
Economic development	-	-	157,246	126,927	161,223	233,377	166,980	163,246	127,994
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	13,621,925
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	\$ 24,681,497
All Other Governmental Funds									
Nonspendable									
Inventories	16,538	16,538	16,538	16,538	16,538	16,538	16,538	16,538	16,538
Prepaid expenses	153	-	12,155	-	6,110	-	-	-	399
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	6,683,531
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	8,266,327
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	7,703,224
Municipal buildings projects	782,318	-	7,532,019	1,887,561	1,605,667	5,280,387	4,506,614	3,172,394	2,435,373
Public housing	104,905	755,136	104,905	113,836	594,147	127,623	129,839	124,771	300,117
Public safety	55,284	18,628	8,180	8,179	8,180	522,436	65,058	1,612,295	97,785
Transit capital purchases	-	-	1,067,500	-	60,529	18,317	20,538	16,926	12,377
Infrastructure capital projects	-	-	-	-	214,756	214,996	215,226	215,525	216,186
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	268,456
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	7,189,658
Parks capital projects	-	-	-	-	-	-	-	166,572	18,103
Municipal buildings projects	-	-	-	-	475,687	119,300	549,273	129,969	98,729
Infrastructure capital projects	244,167	214,031	799,493	241,783	-	-	-	115,000	-
Technology projects	-	-	-	-	776,339	805,203	25,202	425,202	48,586
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	2,087,281
Economic development	38,118	19,856	106,583	160,896	85,117	128,109	76,836	115,469	114,948
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	358,174
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	217,982
Fire capital projects	-	-	-	-	-	-	-	-	154,700
Technology projects	447,842	-	-	68,768	4,464	43,800	43,800	-	56,616
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)	(6,674,748)
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	\$ 29,670,342

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>2009</u>
General Fund	
Reserved for:	
State statute	\$ 4,699,811
Encumbrances	1,079,576
Inventories	2,599
Capital improvements	364,815
Prepaid items	-
Other	<u>321,798</u>
Total reserved	6,468,599
Unreserved:	
Designated for subsequent year's expenditures	3,134,373
Undesignated	<u>11,690,555</u>
Total General Fund	<u><u>\$ 21,293,527</u></u>
All Other Governmental Funds	
Reserved for:	
Capital improvements	\$ 6,482,692
State Statute	325,537
Encumbrances	373,427
Inventories	16,538
Interest subsidies	-
Other	467,125
Debt service	<u>1,043,175</u>
Total reserved	8,708,494
Unreserved, reported in:	
Special revenue funds	381,005
Capital projects funds	<u>2,190,234</u>
Total all other governmental funds	<u><u>\$ 11,279,733</u></u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Taxes	\$ 41,200,989	\$ 41,784,629	\$ 42,477,404	\$ 43,862,452
Intergovernmental	16,756,296	15,041,738	11,408,533	10,878,999
Charges for services	3,216,330	2,832,317	3,189,110	2,892,632
Licenses and permits	2,200,422	1,765,769	1,591,840	1,917,775
Interest on investments	261,025	88,220	71,324	34,258
Other	1,400,511	1,304,865	1,685,586	1,342,021
Total Revenues	65,035,573	62,817,538	60,423,797	60,928,137
Expenditures				
General government	7,272,596	7,337,428	8,280,508	8,838,537
Environment and development	21,590,608	20,858,543	13,970,608	13,666,918
Public safety	18,686,914	19,082,389	19,733,207	19,323,824
Leisure activities	7,398,605	8,038,538	8,051,450	8,094,096
Capital projects	3,836,343	2,778,610	5,102,513	11,116,359
Debt Service:				
Principal	4,000,000	8,520,000	3,485,000	4,490,000
Interest	1,969,585	1,991,035	1,996,991	2,271,774
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	49,528	181,355
Total Expenditures	64,754,651	68,606,543	60,669,805	67,982,863
Excess of revenues over (under) expenditures	280,922	(5,789,005)	(246,008)	(7,054,726)
Other Financing Sources (Uses)				
Transfers in	2,573,984	2,047,910	2,157,492	2,237,579
Transfers out	(1,792,158)	(1,548,465)	(1,930,717)	(758,199)
Proceeds from bonds	-	4,490,000	20,941,878	33,455,000
Advance refunding	-	-	-	(26,499,557)
Premium on debt	-	266,583	-	4,683,695
Proceeds from installment notes	-	-	-	-
Total other financing sources (uses)	781,826	5,256,028	21,168,653	13,118,518
Net change in fund balances	\$ <u>1,062,748</u>	\$ <u>(532,977)</u>	\$ <u>20,922,645</u>	\$ <u>6,063,792</u>
Debt service as a percentage of non capital expenditures	9.75%	16.17%	9.72%	10.94%

Table 4

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 44,395,971	\$ 46,529,226	\$ 48,227,231	\$ 49,340,902	\$ 49,883,531	\$ 51,899,899
18,592,238	12,328,526	10,379,680	10,367,311	10,891,739	15,426,936
3,133,935	3,435,270	3,475,157	3,632,627	4,190,130	3,990,342
2,369,155	2,683,188	2,392,108	2,710,159	2,485,929	3,322,598
91,575	34,491	39,476	56,872	92,371	253,870
2,623,976	1,923,309	3,485,501	1,548,178	2,130,432	2,459,468
71,206,850	66,934,010	67,999,153	67,656,049	69,674,132	77,353,113
9,493,289	9,541,046	9,589,280	10,729,883	14,147,529	12,898,095
14,398,580	14,745,265	15,340,737	15,762,311	18,778,116	19,175,142
19,547,468	19,946,007	20,362,042	20,333,988	20,645,476	21,063,210
8,719,780	8,449,100	8,772,826	9,556,022	10,023,953	10,300,116
29,185,322	9,313,279	3,696,507	7,685,753	19,725,287	12,545,297
4,995,000	4,904,000	4,594,000	4,330,000	5,030,000	7,488,000
2,294,854	2,300,475	2,168,703	2,007,653	2,025,209	2,247,661
344,867	-	-	-	-	-
241,116	-	-	-	-	-
89,220,276	69,199,172	64,524,095	70,405,610	90,375,570	85,717,521
(18,013,426)	(2,265,162)	3,475,058	(2,749,561)	(20,701,438)	(8,364,408)
3,348,562	3,744,153	3,989,863	4,878,505	8,287,269	3,159,729
(2,619,870)	(2,544,103)	(3,043,110)	(3,970,749)	(7,359,694)	(2,155,527)
1,700,000	-	-	-	9,000,000	9,800,000
3,050,000	-	-	-	-	-
(2,700,000)	-	-	-	-	519,544
-	-	2,395,000	7,984,000	5,760,000	-
2,778,692	1,200,050	3,341,753	8,891,756	15,687,575	11,323,746
\$ (15,234,734)	\$ (1,065,112)	\$ 6,816,811	\$ 6,142,195	\$ (5,013,863)	\$ 2,959,338
10.25%	11.31%	10.94%	9.94%	9.94%	12.38%

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

Table 5

Fiscal Year	Property Tax (1)	Sales Tax	Occupancy Tax	Other Tax	Total
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
2018	37,167,334	13,364,922	1,281,711	85,932	51,899,899

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
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
2018	(1)	*	*	7,399,771,971	550,409,864

* 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)
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%
84,467,574	8,034,649,409	0.508	8,062,060,414	99.66%

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

Year Taxes Payable	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Chapel Hill within Orange County:	*			
<u>Town Direct Rates:</u>				
General Fund	0.423	0.360	0.360	0.378
Transit	0.048	0.041	0.041	0.041
Debt Service	0.110	0.093	0.093	0.075
Total outside Downtown Service District	0.581	0.494	0.494	0.494
Downtown Service District	0.071	0.071	0.071	0.071
Total Direct Rates	0.652	0.565	0.565	0.565
<u>Overlapping Rates:</u>				
Orange County	0.998	0.858	0.858	0.858
Chapel Hill - Carrboro School District	0.230	0.188	0.188	0.188
Total Overlapping Rates	1.228	1.046	1.046	1.046
Total Direct and Overlapping Rates	1.880	1.611	1.611	1.611
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.423	0.360	0.360	0.378
Transit	0.048	0.041	0.041	0.041
Debt Service	0.110	0.093	0.093	0.075
Total Direct Rates	0.581	0.494	0.494	0.494
<u>Overlapping Rates:</u>				
Durham County	0.708	0.690	0.746	0.746
Total Direct and Overlapping rates	1.289	1.184	1.240	1.240

* Revaluation year

Source: North Carolina State Department of Revenue.

Table 7

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
					*
0.378	0.388	0.388	0.388	0.388	0.376
0.041	0.051	0.051	0.051	0.051	0.050
0.075	0.075	0.085	0.085	0.085	0.082
0.494	0.514	0.524	0.524	0.524	0.508
0.071	0.071	0.071	0.071	0.071	0.070
0.565	0.585	0.595	0.595	0.595	0.578
0.858	0.858	0.878	0.878	0.878	0.838
0.188	0.208	0.208	0.208	0.208	0.202
1.046	1.066	1.086	1.086	1.086	1.040
1.611	1.651	1.681	1.681	1.681	1.618
0.378	0.388	0.388	0.388	0.388	0.376
0.041	0.051	0.051	0.051	0.051	0.050
0.075	0.075	0.085	0.085	0.085	0.082
0.494	0.514	0.524	0.524	0.524	0.508
0.744	0.744	0.744	0.793	0.740	0.768
1.238	1.258	1.268	1.317	1.264	1.276

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
Village Plaza Apartments LLC	Apartment & Retail
Northwestern Mutual Life (Chapel Watch Apartments)	Apartment Rental
Duke Energy Carolinas LLC	Public Utility
State Employees Credit Union	Bank
East 54 Office Retail LLC	Office/Retail
Chapel Hill at the Pointe Villager LLC	Apartment Rental
G & I VIII Midtown 501 LLC	Apartment Rental
Granville Towers LLC	Apartment Rental
NC UNC Holidngs LLC	Apartment Rental
Europa Center LLC	Office Building
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	Health Insurance
Madison University Mall LLC	Shopping Center
DDRM Meadowmont Village Center LLC	Development
Bell South Telephone Company	Public Utility
Southeast Region IV LLC	Apartment Rental

Totals

Total assessed valuation

Sources:

- (1) 2008-2009 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2018			Fiscal Year 2009		
	(2)	Percentage of Total Assessed Valuation		(1)	Percentage of Total Assessed Valuation
Assessed Valuation	Rank		Assessed Valuation	Rank	
61,604,500	1	0.77%			
57,435,491	2	0.71%			
43,517,518	3	0.54%	29,002,162	6	0.50%
40,580,600	4	0.51%			
40,135,700	5	0.50%			
37,002,485	6	0.46%			
36,468,100	7	0.45%			
36,361,054	8	0.45%			
33,926,012	9	0.42%			
30,760,824	10	0.38%	27,031,431	7	0.46%
			49,895,519	1	0.86%
			36,432,449	2	0.62%
			35,774,739	3	0.61%
			32,584,496	4	0.56%
			32,336,426	5	0.55%
			22,577,923	8	0.39%
			22,210,399	9	0.38%
			21,487,445	10	0.37%
\$ 417,792,284		5.20%	\$ 309,332,989		5.30%
\$ 8,034,649,409			\$ 5,835,597,388		

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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	
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
2018	40,816,019	40,679,175	99.66%	-	40,679,175	99.66%	136,844

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Orange County Loan
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
2018	38,770,000	16,155,000	-	11,895,257	123,146

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

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

Table 10

Business-type Activities			Total Primary Government	Per Capita Personal Income	Per Capita (1)	Percentage of Personal Income (1)
General Obligation Bonds	Certificates of Participation	Installment Loans				
-	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%
2,700,000	-	5,848,000	75,491,403	58,438	1,260	2.16%

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

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General bonded debt outstanding				
General obligation bonds	\$ 17,415,000	\$ 15,285,000	\$ 34,110,000	\$ 31,445,000
Percentage of estimated actual property value (1)	0.31%	0.22%	0.48%	0.43%
Per capita (2)	\$ 397	\$ 325	\$ 712	\$ 673

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

(1) See Table 6 for property value data.

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

Table II

Fiscal Year							
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>		
\$ 30,820,000	\$ 28,141,000	\$ 25,662,000	\$ 23,472,000	\$ 31,741,000	\$ 38,770,000		
0.42%	0.38%	0.34%	0.31%	0.42%	0.51%		
\$ 633	\$ 544	\$ 490	\$ 443	\$ 599	\$ 732		

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Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

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	\$ 71,185,000	41.41%	\$ 29,475,957
Durham County	226,455,000	1.46%	3,308,046
Total overlapping debt			<u>32,784,004</u>
Total direct debt			<u>66,943,403</u>
Total direct and overlapping debt			<u><u>\$ 99,727,407</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total assessed valuation	\$ 5,622,881,598	\$ 6,850,733,652	\$ 7,173,122,136	\$ 7,264,762,419
Debt limit - 8% of total assessed valuation	449,830,528	548,058,692	573,849,771	581,180,994
General obligation bonds	17,415,000	15,285,000	34,110,000	31,445,000
Bonds authorized but unissued	<u>20,410,000</u>	<u>20,410,000</u>	<u>-</u>	<u>-</u>
Net debt applicable to debt limit	37,825,000	35,695,000	34,110,000	31,445,000
Legal debt margin	<u>\$ 412,005,528</u>	<u>\$ 512,363,692</u>	<u>\$ 539,739,771</u>	<u>\$ 549,735,994</u>
Legal debt margin as a percentage of the debt limit	91.59%	93.49%	94.06%	94.59%

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, 2018 totalled \$60,270,000

This total is less than 1% of the Town's June 30, 2018 tax base (\$8.03 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values
for the 2017/2018 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 7,304,497,468	\$ 7,463,253,905	\$ 7,447,206,389	\$ 7,539,774,668	\$ 7,532,719,242	\$ 8,034,649,409
584,359,797	597,060,312	595,776,511	603,181,973	602,617,539	642,771,953
30,820,000	28,141,000	25,662,000	23,472,000	31,741,000	41,470,000
-	-	-	40,300,000	31,300,000	18,800,000
<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>60,270,000</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>	<u>\$ 582,501,953</u>
94.73%	95.29%	95.69%	89.43%	89.54%	90.62%

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)
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%
2018	59,903	8,286,315	58,438	26.2	15.82	42,038	4.3%

Notes:

(1) NC 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 2018			Fiscal Year 2010		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
University of North Carolina at Chapel Hill	20000+	1		11,204	1	29.6%
University of North Carolina Healthcare	11000+	2	Not	7,977	2	21.1%
Carrboro-Chapel Hill Schools	2000+	3	available	2,000	4	5.3%
Blue Cross Blue Shield of NC	-	-		4,922	3	13.0%
Town of Chapel Hill	750+	4		754	5	2.0%
Aramark Food and Support Services	300+	5				
			Not available	26,857		71.0%
Total Town Employment	Not available			37,831		

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function/Program				
General government:				
Finance				
Purchase orders issued	1,411	1,275	1,278	1,350
Human Resources				
Recruitment for positions	88	72	54	39
Public Works				
Streets resurfaced (miles)	5.87	8.09	n/a	6.4
Refuse collected (tons)	16,502	15,501	14,700	14,656
Economic and development:				
Planning/Inspections				
Building permits issued	692	792	581	1,007
Public safety:				
Police				
Calls for service	34,273	44,588	36,596	36,206
Traffic citations	5,605	5,590	4,664	4,996
Fire				
Emergency responses	2,352	4,113	4,723	4,318
Property losses	\$ 2,317,857	\$ 2,315,123	\$ 880,880	\$ 1,418,764
Inspections	1,436	2,334	1,155	1,252
Leisure activities:				
Parks and Recreation				
Program/league registrants*	35,389	n/a	n/a	n/a
Pass memberships		3,168	2,719	3,631
Class registrations		2,563	3,086	6,142
Daily visits		131,840	118,605	114,450
Transit				
Service miles	2,190,575	2,938,507	2,800,468	2,598,465
Parking				
Citations issued	17,136	16,977	14,949	13,130
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews **	234	n/a	n/a	n/a

* 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
1,372	1,214	1,279	1,353	1,318	1,218
43	68	99	83	88	89
6.0	5.88	5.88	5.88	4.79	2.74
14,711	14,746	14,082	14,331	14,339	13,894
884	1,006	967	967	762	1,069
36,094	36,088	37,804	38,009	33,479	31,950
5,087	5,721	6,709	6,459	5,567	2,601
4,194	4,109	4,388	4,642	4,514	4,928
\$ 2,449,214	\$ 2,244,585	\$ 1,001,991	\$ 1,145,028	\$ 951,042	\$ 77,060
761	757	946	1,178	1,562	2,789
n/a	n/a	n/a	n/a	n/a	n/a
5,514	4,195	4,123	4,189	4,150	2,385
3,797	5,207	4,507	4,524	6,120	7,396
115,503	108,569	104,728	95,047	82,537	136,401
2,467,578	2,614,684	2,372,166	2,303,864	2,150,124	1,849,310
12,968	12,970	10,465	12,598	12,754	8,729
n/a	n/a	n/a	n/a	n/a	n/a

Town of Chapel Hill
Capital Asset Statistics
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function/Program				
General Government:				
Public Works				
Streets (miles)	164.9	165.3	165.4	165.7
Street lights	3,260	3,313	3,313	3,396
Public Safety:				
Police				
Patrol units	5	5	5	5
Investigative units	2	2	2	2
Other specialty units	3	5	4	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	164,040	181,046	182,800	186,290
Transportation				
Number of buses	96	99	98	98
Number of vans	15	19	19	19
Parking				
Number of spaces available	913	957	948	957
Housing				
Number of units occupied	322	326	321	308

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	
162.7	165.2	165.2	165.2	166.1	166.1	
3,422	3,425	3,491	3,522	3,566	3,600	
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	14	14	14	15	
200,105	216,985	204,271	199,922	210,873	339,352	
99	98	98	98	98	93	
17	19	19	6	18	20	
1,111	1,189	1,189	1,106	1,159	1,475	
321	321	321	321	319	300	

Town of Chapel Hill

Table 18

**Full-time Equivalent Town Government Employees by Function,
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	7	8	8	9.8	7	11.75	11.75	9	9	10
Communication and Public Affairs	9.13	9.13	9.13	7.33	6.53	7.53	7.53	8.53	7.53	7.53
Human resources	8	8	8	8	8	8	7	10	10	10
Finance	14	14	14	15	15	15	16	18	18	18
Technology solutions	8	8	9	8	8	9	9	10	13	13
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning & Sustainability (A)	21.1	21.06	20.53	20.53	17.75	15.75	15.75	35.65	36.65	22.65
Housing & Community	-	-	-	-	-	-	-	6.2	7.2	7.2
Public Works	78	76.75	85	76.25	65.25	71.25	71.25	72.25	72.55	72.55
Inspections (A)	8	8	8	8	8	8	12	-	-	-
Engineering	23	23	23	23	23	23	23	21	20	20
Public Safety:										
Police	144	144	145	145	139	138	136	136	134	150
Fire	93.5	93.53	93.53	93.53	90	92	92	95	97	96
Leisure activities:										
Parks & Recreation	56.79	58.84	58.84	58.84	53.51	54.01	54.41	57.83	57.83	57.8
Library	29.2	29.2	29.08	29.08	30.39	26.63	30.09	30.41	29.9	30.3
Transit	176	185.98	195.33	195.33	171.73	178.41	183.79	198.29	201.29	203.29
Parking	12.8	12.8	12.8	12.8	11.8	11.8	11.8	10.8	10.8	9
Housing	18	18	17	17	16	16	16	16	16	16
Stormwater	14	14	14	14	14	14	14	14	14.7	14.7
Vehicle Maintenance	-	-	-	-	7.75	7.75	7.75	7.75	7.75	7.75
Downtown Service	-	-	-	-	1	1	1	1	1	1
Total	723.52	735.29	753.24	744.49	696.71	711.88	723.12	760.71	767.2	769.77

Notes:

(A) The Inspections division was moved to Police in 2017-2018.

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, 2018, 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, 2018.

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 of Chapel Hill's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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, 2018

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; Required by the 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, 2018. 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, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards 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, 2018.

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, 2018

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; Required by 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, 2018. 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, Responses, and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and conditions of its state awards 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, 2018.

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, 2018

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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

Non-compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Public and Indian Housing - Operating	14.85
Federal Transit Cluster	20.507, 20.526
Metropolitan Transportation Planning and State and non-Metropolitan Planning and Research	20.505

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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
NCDOT Urban State Match Program

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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

None reported

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

None reported

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

None reported

TOWN OF CHAPEL HILL, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding 2017-001

Status: Corrected

Finding 2017-002

Status: Corrected

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	
FEDERAL ASSISTANCE						
U.S. Department of Transportation						
Federal Transit Administration						
Direct Programs:						
FEDERAL TRANSIT CLUSTER:						
Federal Transit Administration - Federal Transit Formula Grant	20.507		37,963	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		22,667	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		8,505	6,804	-	1,701
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,373,586	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		2,838,894	2,290,000	-	511,921
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,505,000	125,099	-	31,275
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,400,000	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,911,829	833,990	-	-
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		579,296	314,303	-	78,575
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		534,037	-	-	-
Subtotal Direct Federal Transit Cluster				3,570,196	-	623,472

**TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

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	
Passed-Through City of Durham, North Carolina:						
METROPOLITAN TRANSPORTATION PLANNING PROGRAM / STATE AND NON-METROPOLITAN PLANNING AND RESEARCH PROGRAM:						
Federal Transit Administration - Transportation Planning and State and non-Metropolitan Planning and Research	20.505	U-4727	171,500	119,071	29,768	17,153
Federal Transit Administration - Transportation Planning and State and non-Metropolitan Planning and Research	20.505	STP-DA 133(B)(3)(7)	132,644	92,415	-	23,104
Subtotal Pass-Through Metro Transportation Planning Program / State and Non-Metro Planning and Research Program				211,486	29,768	40,257
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	173,804	32,823	-	32,836
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	120,000	69,766	-	69,807
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	73,416	1,221	-	1,221
Subtotal Transit Services Program Cluster				103,810	-	103,864
Federal Highway Administration						
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:						
Highway Planning and Construction Program						
NC DOT STPDA Grant - Friday Center Drive	20.205	U-4726 II	665,000	-	-	-
NC DOT STPDA Grant - Estes Drive Bike Design	20.205	C-5179	248,000	40,234	-	10,058
NC DOT STPGDA Grant - Variable Message Construction	20.205	U-5543	819,200	24,171	-	6,042
NC DOT-Sidepath	20.205	EB-5721	558,000	56,795	-	14,198
Subtotal Pass-Through Highway Planning and Construction Cluster				121,200	-	30,298
Total U.S. Department of Transportation				4,006,692	29,768	797,891

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	
U.S. Department of Housing and Urban Development						
Office of Community Planning and Development						
Direct Programs:						
CDBG & ENTITLEMENT GRANTS CLUSTER:						
Community Development Block Grant Entitlement Program income	14.218		1,576,793 38,047	663,378 -	- -	122,304 -
Subtotal Direct CDBG Entitlement Grants Cluster				663,378	-	122,304
OFFICE OF PUBLIC & INDIAN HOUSING						
Public and Indian Housing Program - Operating Rental and other income	14.850		1,229,562 -	1,229,562 -	- -	- -
Subtotal Direct Public Housing Capital Grants				1,229,562	-	-
PUBLIC HOUSING CAPITAL FUND						
Public Housing - Capital Fund 2014	14.872		444,974	22,762	-	-
Public Housing - Capital Fund 2015	14.872		449,057	80,189	-	-
Public Housing - Capital Fund 2016	14.872		454,460	25,542	-	-
Public Housing - Capital Fund 2017	14.872		521,212	46,330	-	-
Public Housing - Capital Fund 2018	14.872		549,598	-	-	-
Subtotal Direct Public & Indian Housing Capital Grants				174,823	-	-
Passed-Through Orange County, North Carolina:						
HOME INVESTMENT PARTNERSHIP PROGRAM						
Public and Indian Housing - Program Income				-	-	-
Subtotal Pass-Through HOME Program				-	-	-
Total U.S. Department of Housing and Urban Development				2,067,763	-	122,304

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	
U.S. Department of Justice						
Bureau of Justice Assistance						
Direct Programs:						
Bulletproof Vest Partnership Program	16.607		27,066	4,383	-	4,383
Bulletproof Vest Partnership Program	16.607		22,687	-	-	-
Bulletproof Vest Partnership Program	16.607		26,030	-	-	-
Subtotal direct programs				4,383	-	4,383
National Institute of Justice						
Passed-Through NC Department of Public Safety:						
Governor's Crime Commission						
DNA Backlog Reduction Program	16.741	PROJ011685	23,990	-	-	-
Subtotal Passed-Through NC Dept of Public Safety				-	-	-
Total U.S. Department of Justice				4,383	-	4,383
U.S. Department of Homeland Security						
Passed-Through NC Department of Public Safety:						
Federal Mediation and Conciliation Services						
Labor Mediation and Conciliation	34.001	FMCS-YICP-05	24,000	2,947	-	-
Hazard Mitigation Grant						
FEMA Hazard Mitigation Grant	97.039	HMGP-4167-0010-R	1,093,529	249,223	83,074	-
Total U.S. Department of Homeland Security				252,170	83,074	-

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	
U.S. Institute of Museum and Library Services						
Passed-Through State Library of North Carolina:						
Grants to States						
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	111,997	1,106	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	89,140	80,753	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	30,600	27,471	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-18-0034-18	40,000	-	-	-
Total U.S. Institute of Museum and Library Services				109,330	-	-
TOTAL FEDERAL ASSISTANCE				6,440,338	112,842	122,304
STATE ASSISTANCE						
North Carolina Department of Transportation:						
Powell Bill		5121	1,457,558	-	1,457,558	-
State Maintenance Assistance for Urban and Small Urban Areas		NC-2017-049-00	2,939,769	-	2,939,769	-
NCDOT Advanced Technology Grant		17-AT-117	164,597	-	-	-
NCDOT Urban State Match Program		18-LS-006	727,761	-	727,761	-
NCDOT MPO Grant - Traffic Signal Upgrade		U-4704	450,000	-	-	-
NCDOT Highway Construction Program - State Strategic Mobility Grant Ephesus Fordham		U-5550	2,170,000	-	415,412	-
Passed-Through Triangle J Council of Government:						
Transit Demand Grant		2000004447	100,496	-	48,525	-
Total North Carolina Department of Transportation				-	5,589,025	-
Passed-Through NC Dept. of Revenue:						
Comm Waste Reduc & Recyc Grant		7212	18,460	-	13,927	-
Total Passed-Through NC Dept. of Revenue				-	13,927	-
North Carolina Department of Natural and Cultural Resources:						
State Library Aid		2016-2017	28,456	-	28,456	-
TOTAL STATE ASSISTANCE				-	5,631,408	-
TOTAL FINANCIAL ASSISTANCE				6,440,338	5,744,250	122,304

TOWN OF CHAPEL HILL, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2018, 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.