

**Town of Chapel Hill, North Carolina  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2019**

Prepared by:

Town of Chapel Hill  
Business Management Department



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November 15, 2019

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

Mayor and Council:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chapel Hill for the fiscal year ended June 30, 2019 (FY 2018-19) 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, 2019.

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, 2019 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. These requests serve as the starting point for developing a proposed budget which is formally presented 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, 2019.

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 63,178 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 livable 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 \$10.0 million GO bond referendum that was on the ballot in the November 2018 election. The following bond order was approved by voters and adopted by Council:

- Affordable Housing \$10.0 million

No bonds under this order have been issued as of June 30, 2019.

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.

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 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.

In 2018, the Town Council established strategic goal areas to add specificity and short-term focus to the Chapel Hill 2020 Comprehensive Plan. Strategic Work Plans were created by staff to identify actions and projects that will make progress toward Council Goals.

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.

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

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.

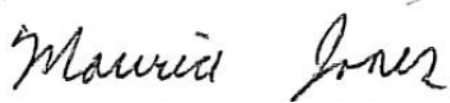
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2018-19. 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 cursive script that reads "Maurice Jones".

Maurice Jones  
Town Manager

A handwritten signature in cursive script that reads "Amy Oland".

Amy Oland  
Business Management Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Chapel Hill**  
**North Carolina**

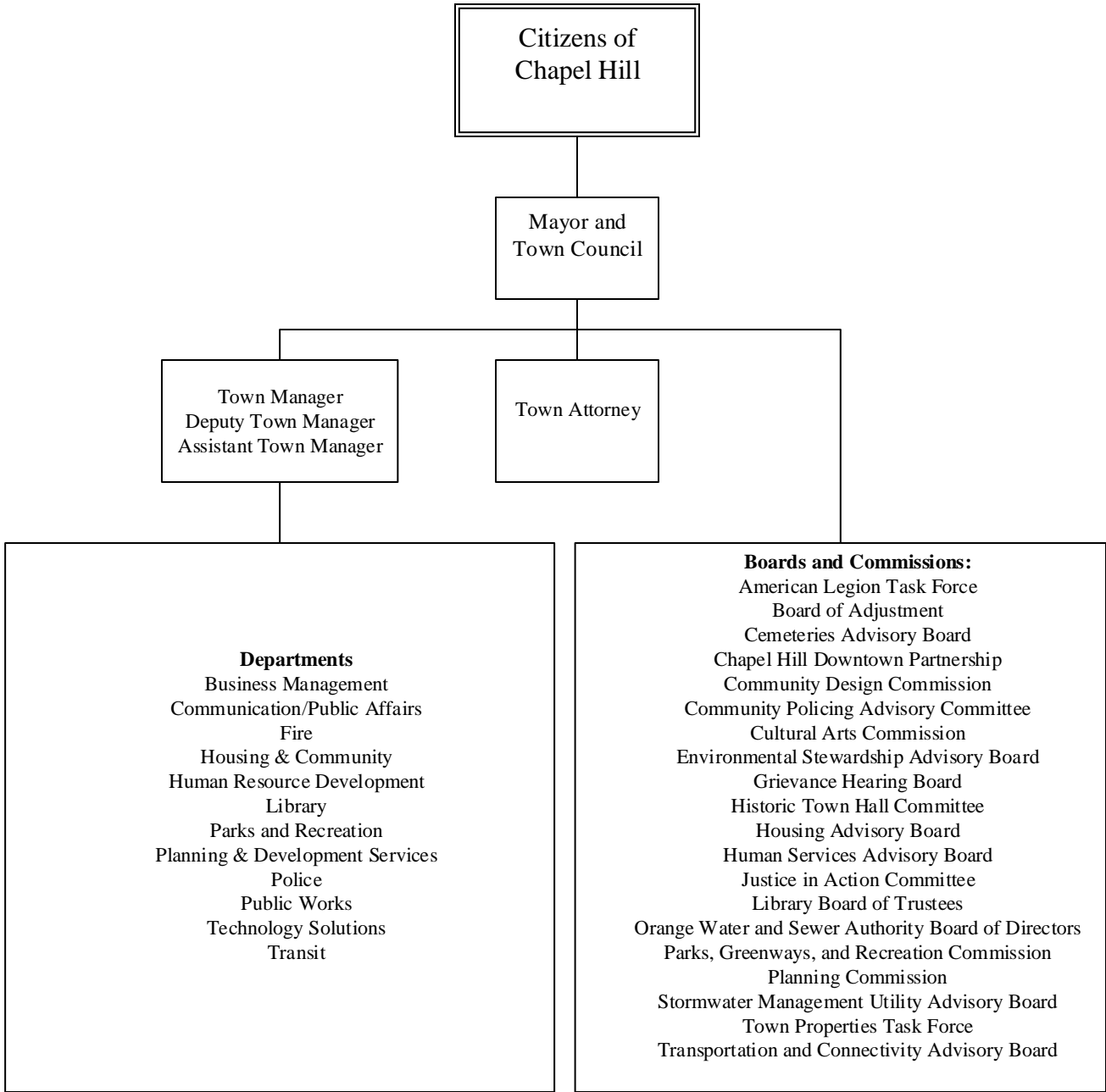
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morvill*

Executive Director/CEO

**TOWN OF CHAPEL HILL ORGANIZATION CHART**





**TOWN OF CHAPEL HILL, NORTH CAROLINA  
THE TOWN GOVERNING BODY AND OFFICIALS  
JUNE 30, 2019  
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 A. Miller

Deputy Town Manager

Mary Jane Nirdlinger

Assistant Town Manager

Amy Oland

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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the 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 15, 2019 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 15, 2019

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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, 2019. 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

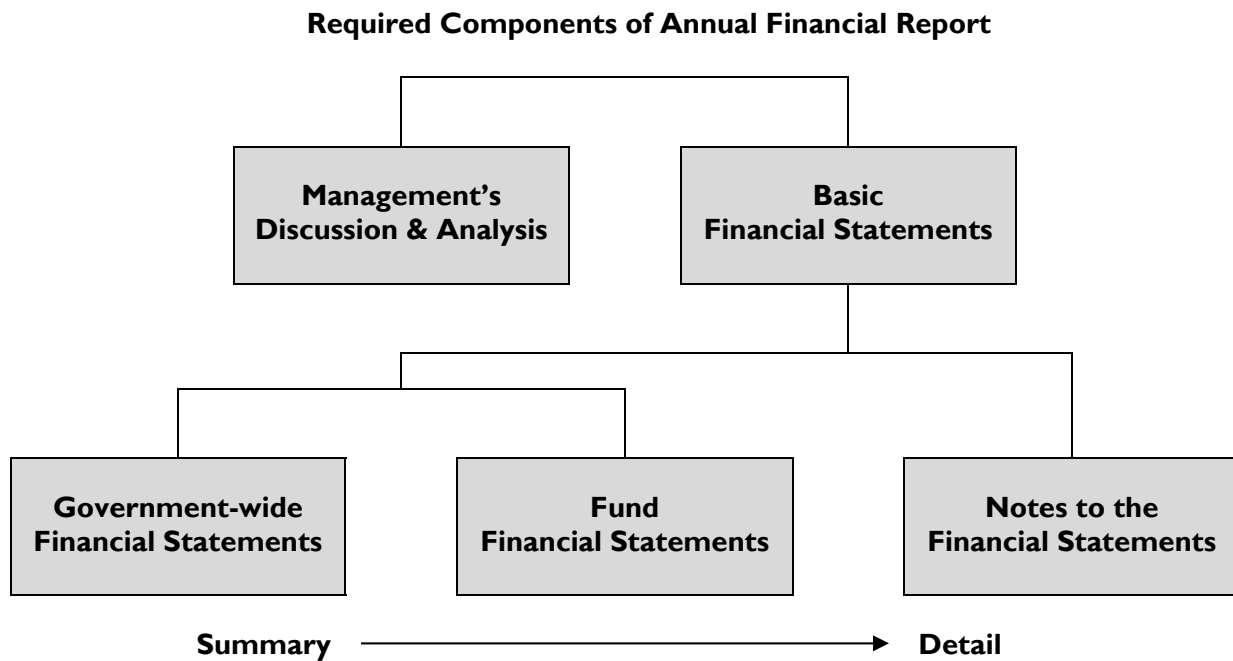
Highlights of the Town's fiscal year ended June 30, 2019, include:

- 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 \$119.1 million (net position.)
- The government's total net position increased by about \$4.5 million, the total of a \$1.6 million increase in governmental activities net position and a \$2.9 million increase in business-type activities net position.
- A two cent tax rate from 50.8 cents to 52.8 cents was adopted with the FY 2019 budget. One cent was for the general fund and one cent was for transit.
- With steady sales tax and utility franchise tax collections, the general fund budget was able to maintain service levels, and have assets increase by \$1.7 million and liabilities increase by \$110,000, for a net increase of net position of about \$1.6 million.
- At June 30, 2019, total net position was \$119.1 million which is made up of \$117.9 million invested in capital assets, \$19.5 restricted net position which has been reserved for specific purposes, and a negative remaining balance of (\$18.3) million that is unrestricted. Restrictions for Stabilization by State Statue accounts for \$16.0 million of net position, largely representing bond and capital funds (\$3.9 million) and debt fund (\$1.8 million) and outstanding purchase orders for ongoing Town operating costs (\$3.8 million.)

# Management's Discussion and Analysis

- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$49.9 million, a decrease of \$4.4 million in comparison with the prior year.
- 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 decreased by \$0.5 million to \$146.8 million as a result of the net impact of the increase in the net OPEB liability and total pension liabilities for LEOSA and LGERS offset by the decrease due to the annual debt payments made.
- Property taxes supported 49% of the governmental services to citizens and the community in fiscal year 2019.
- 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



# Management's Discussion and Analysis

views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Chapel Hill, including a statistical section. This report includes all funds of the Town as well as a component unit, which is described below. Note A in the financial report includes a further discussion of the reporting entity and descriptions of funds.

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

## **Government-wide Financial Statements**

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

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

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

## **Fund Financial Statements**

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

**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

# Management's Discussion and Analysis

between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 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 87 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, 2019 (as shown in Exhibit 1) with comparative data from June 30, 2018.

<b>Town of Chapel Hill's Net Position</b>						
<b>Figure 2</b>						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 56,671,252	\$ 61,285,036	\$ 33,593,939	\$ 27,995,756	\$ 90,265,191	\$ 89,280,792
Capital assets	127,394,987	128,664,411	44,361,155	46,206,445	171,756,142	174,870,856
<b>Total assets</b>	<b>184,066,239</b>	<b>189,949,447</b>	<b>77,955,094</b>	<b>74,202,201</b>	<b>262,021,333</b>	<b>264,151,648</b>
Total deferred outflows of resources	9,653,016	4,276,358	3,644,982	3,364,625	13,297,998	7,640,983
Current liabilities	13,104,076	14,854,806	2,732,271	2,956,978	15,836,347	17,811,784
Non-current liabilities	109,248,912	109,141,937	27,866,595	26,090,302	137,115,507	135,232,239
<b>Total liabilities</b>	<b>122,352,988</b>	<b>123,996,743</b>	<b>30,598,866</b>	<b>29,047,280</b>	<b>152,951,854</b>	<b>153,044,023</b>
Deferred inflows of resources	2,266,419	2,724,655	986,008	1,375,783	3,252,427	4,100,438
Net position:						
Net investment in capital assets	78,789,668	75,357,987	39,067,845	40,360,967	117,857,513	115,718,954
Restricted for:						
Stabilization by State Statute	15,980,162	13,638,555	-	-	15,980,162	13,638,555
Capital projects	2,802,021	5,211,576	-	-	2,802,021	5,211,576
Inspections	425,387	-	-	-	425,387	-
Public housing	146,765	300,117	-	-	146,765	300,117
Other functions	195,383	254,403	-	-	195,383	254,403
Unrestricted	(29,239,538)	(27,258,231)	10,947,357	6,782,796	(18,292,181)	(20,475,435)
<b>Total net position</b>	<b>\$ 69,099,848</b>	<b>\$ 67,504,407</b>	<b>\$ 50,015,202</b>	<b>\$ 47,143,763</b>	<b>\$ 119,115,050</b>	<b>\$ 114,648,170</b>

The assets and deferred outflow of resources of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$119.1 million as of June 30, 2019. The Town's net position increased by a total of \$4.5 million, the total of a \$1.6 million increase in governmental activities and a \$2.9 million increase in business-type activities.

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 \$19.5 million) represents resources that are subject to external restrictions on how they may be used, leaving a remaining negative balance of (\$18.3) million in unrestricted net position.

# Management's Discussion and Analysis

The Town of Chapel Hill implemented GASB Statement 75 in FY 2018. 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 last fiscal year.

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 an increase in net position of about \$1.6 million.

**Business-type activities:** Business-type activities show an increase in net position of about \$2.9 million. The Transit fund had a \$1.7 million increase in net position as a reduction in personnel expenditures. The Parking Facilities Fund had a \$191,000 decrease as a result of lower than anticipated parking fee collections. The Stormwater Management Fund which increased \$1.3 million in net position due to a reductions in personnel and capital project delays. The Housing Operating Fund had an anticipated increase in net position of \$32,000.

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2019, with comparative data for June 30, 2018.

# Management's Discussion and Analysis

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

**Figure 3**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,035,320	\$ 7,483,203	\$ 7,896,067	\$ 7,764,652	\$ 15,931,387	\$ 15,247,855
Operating grants and contributions	4,119,765	4,422,227	20,968,062	17,631,660	25,087,827	22,053,887
Capital grants and contributions	3,871,491	5,787,267	3,044,511	3,174,767	6,916,002	8,962,034
<b>General revenues:</b>						
Taxes	54,366,124	51,899,899	4,918,809	4,012,875	59,284,933	55,912,774
Grants and contributions not restricted to specific programs	5,339,666	5,217,442	-	-	5,339,666	5,217,442
Investment earnings	472,755	253,870	151,448	66,767	624,203	320,637
Other	2,151,266	2,808,749	186,785	140,116	2,338,051	2,948,865
<b>Total revenues</b>	<b>78,356,387</b>	<b>77,872,657</b>	<b>37,165,682</b>	<b>32,790,837</b>	<b>115,522,069</b>	<b>110,663,494</b>
<b>Expenses:</b>						
General government	14,062,125	13,114,734	-	-	14,062,125	13,114,734
Environment and development	26,619,126	28,204,380	-	-	26,619,126	28,204,380
Public safety	22,286,773	24,843,607	-	-	22,286,773	24,843,607
Leisure activities	12,743,540	12,511,883	-	-	12,743,540	12,511,883
Interest expense	2,410,040	2,247,661	-	-	2,410,040	2,247,661
Transportation	-	-	26,560,258	22,376,827	26,560,258	22,376,827
Parking facilities	-	-	1,883,893	1,677,166	1,883,893	1,677,166
Stormwater management	-	-	1,954,820	2,266,475	1,954,820	2,266,475
Housing operations	-	-	2,534,614	2,591,141	2,534,614	2,591,141
<b>Total expenses</b>	<b>78,121,604</b>	<b>80,922,265</b>	<b>32,933,585</b>	<b>28,911,609</b>	<b>111,055,189</b>	<b>109,833,874</b>
Increase (decrease) in net position before transfers	234,783	(3,049,608)	4,232,097	3,879,228	4,466,880	829,620
Transfers	1,360,658	1,004,202	(1,360,658)	(1,004,202)	-	-
Increase (decrease) in net position	1,595,441	(2,045,406)	2,871,439	2,875,026	4,466,880	829,620
Net position, July 1	67,504,407	89,506,097	47,143,763	49,784,951	114,648,170	139,291,048
Restatement	-	(19,956,284)	-	(5,516,214)	-	(25,472,498)
Net position, July 1, as restated	67,504,407	69,549,813	47,143,763	44,268,737	114,648,170	113,818,550
Net position, June 30	<b>\$ 69,099,848</b>	<b>\$ 67,504,407</b>	<b>\$ 50,015,202</b>	<b>\$ 47,143,763</b>	<b>\$ 119,115,050</b>	<b>\$ 114,648,170</b>

## 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, 2019, the governmental funds of Chapel Hill reported a combined fund balance of about \$49.9 million, a decrease of \$4.4 million or 8.1% from last year. This change is largely the result of the spending down of bond funds related to the 2017 and 2018 bond issuances and completion of those related projects 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 \$26.3 million. The fund balance available for appropriation according to the statutory calculation is 28.3% of expenditures for FY19, and the Town Council target policy requires that we maintain at least a fund balance of 22% of expenditures in case of unforeseen needs. Unassigned fund balance represents 21.5%, and total fund balance, which includes reserves and designated amounts, represents 41.5% of total 2018-19 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$1.6 million.

The Debt Service Fund, funded by a portion of the property tax rate and committed by the Council to making debt payments, had a planned increase in fund balance of \$305,000.

The Capital Projects Ordinance Fund reflects a \$6.1 million decrease in fund balance, representing the spending down of bond funds related to the 2017 and 2018 bond issuances and completion of those related projects.

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

Conservative budgeting principles resulted in actual revenues coming in relatively close to budget estimates, with a difference of \$1.5 million more than budgeted. About three quarters of the difference was in planning and inspection permit fees related to development. The remaining amount was in higher than anticipated intergovernmental revenues from sales tax and utility franchise tax receipts.

Expenditures were about \$4.9 million less than budgeted. About \$2.8 million represents lapsed salary and benefit savings from vacant positions. All areas benefitted from favorable fuel prices and another fairly mild winter during 2018-19, reducing the requirements for road clearing, debris cleanup and heating of buildings. About \$1 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.

# Management's Discussion and Analysis

**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 \$8.7 million for the Transit Fund, \$2.5 million for the Housing Operating Fund and \$2.6 million for the Stormwater Management Fund. The Parking Facilities Fund shows a deficit in unrestricted net position of \$2.8 million with \$3.6 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, 2019, capital assets totaled \$171.8 million compared with \$174.9 million in the prior fiscal year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 37,109,580	\$ 37,109,580	\$ 6,962,311	\$ 6,962,311	\$ 44,071,891	\$ 44,071,891
Easements	288,566	231,873	-	-	288,566	231,873
Land improvements	19,084,292	14,733,414	3,414,613	2,362,410	22,498,905	17,095,824
Infrastructure	6,176,509	7,653,338	-	-	6,176,509	7,653,338
Buildings and building improvements	40,975,072	43,363,208	14,462,933	15,522,688	55,438,005	58,885,896
Equipment	1,646,827	2,116,829	640,055	641,440	2,286,882	2,758,269
Vehicles	5,771,954	6,068,921	18,388,441	19,044,573	24,160,395	25,113,494
Construction in progress	16,342,187	17,387,248	492,802	1,673,023	16,834,989	19,060,271
<b>Total</b>	<b>\$ 127,394,987</b>	<b>\$ 128,664,411</b>	<b>\$ 44,361,155</b>	<b>\$ 46,206,445</b>	<b>\$ 171,756,142</b>	<b>\$ 174,870,856</b>

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, 2019 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$38,093,000. The Town also had \$14,235,000 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

# Management's Discussion and Analysis

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. The remaining principal balance \$5,251,000. The Town's total debt of about \$146.8 million also includes the net other postemployment liability of \$56.9 million as required by GASB 75 and total pension liability of \$5.0 million for the law enforcement special separation allowance as required by GASB 73. For more information on these GASB statements and their effect on the Town's financial statements, please refer to pages 79 & 71 of the Notes to the Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 35,528,000	\$ 38,770,000	\$ 2,565,000	\$ 2,700,000	\$ 38,093,000	\$ 41,470,000
Limited obligation bonds	14,235,000	16,155,000	-	-	14,235,000	16,155,000
Installment notes payable	8,672,083	11,895,257	5,251,000	5,848,000	13,923,083	17,743,257
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Bond premium	446,522	470,234	123,076	129,554	569,598	599,788
Total pension liability for LEO	5,042,365	4,945,342	-	-	5,042,365	4,945,342
Net pension liability for LGERS	10,268,093	6,470,160	4,262,265	2,710,997	14,530,358	9,181,157
Compensated absences	2,719,987	2,848,994	643,824	637,907	3,363,811	3,486,901
Net other postemployment liability	40,509,280	38,178,709	16,401,811	15,428,014	56,911,091	53,606,723
<b>Total</b>	<b>\$117,544,476</b>	<b>\$119,856,842</b>	<b>\$ 29,246,976</b>	<b>\$ 27,454,472</b>	<b>\$146,791,452</b>	<b>\$147,311,314</b>

The Town's total debt from governmental activities decreased by \$2.3 million or 1.9%, to \$117.5 million during the past fiscal year. The decrease represents the net effect of the addition of increases to the net other postemployment liability, pension liability for LEO, and net pension liability for LGERS, offset by the payments made during the year toward general obligation bonds and limited obligation bonds, installment notes payable and other debt.

Business-type debt increased by about \$1.8 million to \$29.2 million, resulting from increases to the net other postemployment liability and net pension liability for LGERS, offset by the payments made during the year toward general obligation bonds, installments notes payable and other debt.

As mentioned in the financial highlights section of this document, at June 30, 2019 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.



# Management's Discussion and Analysis

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

In November 2018, the Town held a general obligation bond referendum in the amount of \$10,000,000 that was approved by its citizens for affordable housing. No funds have been issued.

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 \$591 million, which is well above the town's outstanding debt for general obligation bonds of approximately \$38.1 million plus the \$28.8 million authorized but unissued, which combined is about 10.2% 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 4.7% at June 30, 2019, slightly higher than the state average of 4.4%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

## **Budget Highlights for the Fiscal Year Ending June 30, 2020**

### **Governmental Activities:**

General Fund revenues budgeted for FY19 total \$68.5 million, including the use of \$3.4 million in fund balance. A 1.6 cent tax increase for the Debt Service Fund was adopted with the FY 2020 budget. One cent is dedicated to funding the \$10 million Affordable Housing Bond approved by 72% of the voters in November 2018. The additional 0.6 cent increase will assist in paying the debt service on other bond projects like the future Municipal Services Center. The tax rate went from 52.8 cents in FY 2019 to 54.4 cents in FY 2020. The breakdown for 2019-2020 in cents per \$100 valuation is broken down as follows: General Fund 38.6 cents, Debt Service Fund 9.4 cents and Transit Fund 6.0 cents.

Sales taxes are budgeted at \$14.7 million, a 6.4% increase from 2018-19's budget as we anticipate a continuation of economic growth. Licenses and permits are budgeted at \$2.8 million, a 15.5% increase from 2018-2019's budget as inspection permit revenue continues to grow with the increase in development in the Town. Other General Fund revenues remain relatively flat.

General Fund expenditures of \$68.5 million represent a 3.2% increase from the budget for 2018-19. The goal of the budget is to align allocations with Council and community priorities. The goals of the budget for 2019-20 are to retain our strong core services, to retain our excellent employees and to reduce the use of fund balance to achieve a more sustainable budget as the economic recovery is expected to

# Management's Discussion and Analysis

continue. The budget maintains service levels but includes an increase in the employer's contribution to the Local Government Employees Retirement System of 1.2%, a 4.9% increase in the health insurance rate for active employees and under-65 retirees and includes funding for a 3% of market pay raise in July 2019 to employee pay.

In June 2019, the Town Council adopted a Strategic Work Plan to identify actions and projects that will make progress towards the Council goals. The FY 2020 adopted budget includes targeted funds for key strategic interests expressed by Council including: \$50,000 to support a Climate Action Plan, \$248,000 to implement interim remedial actions based on the results of the ongoing assessments of coal ash remediation at the police station property and \$100,000 for urban design services.

Debt service costs in 2019-20 are budgeted at \$9.8 million. The Debt Service tax rate of 9.8 cents per \$100 in valuation is expected to generate about \$8.2 million.

Other governmental activities budgeted for 2019-20 reflect a continuation of existing service levels in keeping with the budget goals for FY20.

## **Business-type Activities:**

The Transit Fund's 2019-20 budget of \$24.8 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 of 6.0 cents per \$100 in valuation is expected to generate about \$5.0 million. The Transit budget includes an additional \$1.3 million in new vehicles fee revenue levied by Orange County. Overall the Transit budget increased 4.3% over the 2018-19 budget.

The Parking Facilities Fund budget increased 7.5% overall from 2018-19 to help manage the parking facilities and lots.

Housing Operations revenues reflect an increase in HUD contributions of 5.0% and an increase in rental income of 12.6% which results in a much lower planned usage of fund balance. Increases in funding will help fund small capital repairs at several of the housing units.

Stormwater Management's budget for 2019-20 includes an increase to the stormwater fee of \$2.82 per ERU to issue the remaining \$3.2 million in general obligation bonds and pay the related debt service.

## **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, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 34,302,666	\$ 27,475,100	\$ 61,777,766	\$ 16,162,754
Taxes receivable, net	176,397	24,083	200,480	-
Accounts receivable, net	766,521	1,937,810	2,704,331	4,363,361
Due from other governments	7,247,564	2,567,394	9,814,958	-
Internal balances	2,483,529	(2,483,529)	-	-
Inventories	68,935	1,170,985	1,239,920	1,396,186
Prepaid items	40,568	152,034	192,602	182,894
Restricted cash and cash equivalents	-	104,296	104,296	7,394,905
Total current assets	45,086,180	30,948,173	76,034,353	29,500,100
Non-current assets:				
Restricted cash and cash equivalents	11,585,072	2,645,766	14,230,838	241,332
Capital assets (Note E):				
Land and construction in progress	53,740,333	7,455,113	61,195,446	67,718,829
Other capital assets, net of accumulated depreciation	73,654,654	36,906,042	110,560,696	263,514,503
Total capital assets	127,394,987	44,361,155	171,756,142	331,233,332
Total non-current assets	138,980,059	47,006,921	185,986,980	331,474,664
Total assets	184,066,239	77,955,094	262,021,333	360,974,764
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension and OPEB deferrals	9,653,016	3,644,982	13,297,998	2,645,040
Deferred charge on refunding	-	-	-	1,327,210
Total deferred outflows of resources	9,653,016	3,644,982	13,297,998	3,972,250
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	3,131,006	1,223,511	4,354,517	5,748,355
Other liabilities	-	24,083	24,083	-
Liabilities payable from restricted assets	1,677,506	104,296	1,781,802	2,444,732
Current portion of long-term liabilities	8,295,564	1,380,381	9,675,945	6,928,288
Total current liabilities	13,104,076	2,732,271	15,836,347	15,121,375
Non-current liabilities:				
Net other postemployment liability	40,509,280	16,401,811	56,911,091	12,710,564
Net pension liability (LGRS)	10,268,093	4,262,265	14,530,358	2,982,507
Total pension liability (LEOSSA)	5,042,365	-	5,042,365	-
Due in more than one year	53,429,174	7,202,519	60,631,693	60,170,756
Total non-current liabilities	109,248,912	27,866,595	137,115,507	75,863,827
Total liabilities	122,352,988	30,598,866	152,951,854	90,985,202
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid taxes	8,965	-	8,965	-
Pension and OPEB deferrals	2,257,454	986,008	3,243,462	1,592,129
Total deferred inflows of resources	2,266,419	986,008	3,252,427	1,592,129
<b>NET POSITION</b>				
Net investment in capital assets	78,789,668	39,067,845	117,857,513	266,060,335
Restricted for:				
Stabilization by State Statute	15,980,162	-	15,980,162	-
Capital projects	2,802,021	-	2,802,021	-
Inspections	425,387	-	425,387	-
Public housing	146,765	-	146,765	-
Other functions	195,383	-	195,383	-
Water and sewer	-	-	-	241,332
Unrestricted	(29,239,538)	10,947,357	(18,292,181)	6,068,016
Total net position	\$ 69,099,848	\$ 50,015,202	\$ 119,115,050	\$ 272,369,683

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

**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Capital Grants and Contributions		Governmental Activities	Business-type Activities	Total	
			Operating Grants and Contributions					
Primary Government:								
Governmental activities:								
General government	\$ 14,062,125	\$ 1,844,457	\$ -	\$ -	(12,217,668)	\$ -	(12,217,668)	\$ -
Environment and development	26,619,126	4,280,212	2,155,799	3,701,042	(16,482,073)	-	(16,482,073)	-
Public safety	22,286,773	502,416	1,165,123	-	(20,619,234)	-	(20,619,234)	-
Leisure activities	12,743,540	1,408,235	798,843	170,449	(10,366,013)	-	(10,366,013)	-
Interest expense	2,410,040	-	-	-	(2,410,040)	-	(2,410,040)	-
<b>Total governmental activities</b>	<b>78,121,604</b>	<b>8,035,320</b>	<b>4,119,765</b>	<b>3,871,491</b>	<b>(62,095,028)</b>	<b>-</b>	<b>(62,095,028)</b>	<b>-</b>
Business-type activities:								
Transportation	26,560,258	1,404,184	19,766,735	2,695,405	-	(2,693,934)	(2,693,934)	-
Parking Facilities	1,883,893	2,590,653	-	-	-	706,760	706,760	-
Housing Operations	2,534,614	1,017,155	1,193,827	349,106	-	25,474	25,474	-
Stormwater Management	1,954,820	2,884,075	7,500	-	-	936,755	936,755	-
<b>Total business-type activities</b>	<b>32,933,585</b>	<b>7,896,067</b>	<b>20,968,062</b>	<b>3,044,511</b>	<b>-</b>	<b>(1,024,945)</b>	<b>(1,024,945)</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 111,055,189</b>	<b>\$ 15,931,387</b>	<b>\$ 25,087,827</b>	<b>\$ 6,916,002</b>	<b>(62,095,028)</b>	<b>(1,024,945)</b>	<b>(63,119,973)</b>	<b>-</b>
Component unit - Orange Water and Sewer Authority	\$ 34,672,592	\$ 36,185,840	\$ -	\$ 4,035,076	-	-	-	5,548,324
General revenues:								
Property taxes					38,880,336	4,918,809	43,799,145	-
Sales tax					14,048,261	-	14,048,261	-
Occupancy tax					1,349,003	-	1,349,003	-
Other taxes					88,524	-	88,524	-
Grants and contributions not restricted to specific programs:								
Intergovernmental					5,339,666	-	5,339,666	-
Investment earnings					472,755	151,448	624,203	64,842
Miscellaneous					2,151,266	186,785	2,338,051	1,918,443
<b>Total general revenues not including transfers and proceeds</b>					<b>62,329,811</b>	<b>5,257,042</b>	<b>67,586,853</b>	<b>1,983,285</b>
<b>Transfers</b>					<b>1,360,658</b>	<b>(1,360,658)</b>	<b>-</b>	<b>-</b>
<b>Total general revenues and transfers</b>					<b>63,690,469</b>	<b>3,896,384</b>	<b>67,586,853</b>	<b>1,983,285</b>
Change in net position					1,595,441	2,871,439	4,466,880	7,531,609
Net position, beginning					67,504,407	47,143,763	114,648,170	264,838,074
Net position - ending					\$ 69,099,848	\$ 50,015,202	\$ 119,115,050	\$ 272,369,683

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, 2019

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,486,564	\$ 5,739,829	\$ 2,028,552	\$ 3,443,066	\$ 32,698,011
Receivables:					
Due from other funds	980,938	1,755,000	-	-	2,735,938
Property taxes, net	141,967	32,923	-	1,507	176,397
Governmental units and agencies	5,958,740	-	887,889	400,935	7,247,564
Other	498,600	-	239,332	16,991	754,923
Inventories	1,528	-	-	16,538	18,066
Prepaid items	40,568	-	-	-	40,568
Restricted cash and equivalents	609,871	-	10,399,432	575,769	11,585,072
<b>TOTAL ASSETS</b>	<b>\$ 29,718,776</b>	<b>\$ 7,527,752</b>	<b>\$ 13,555,205</b>	<b>\$ 4,454,806</b>	<b>\$ 55,256,539</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 252,409	\$ 252,409
Accounts payable	1,386,802	-	164,395	258,951	1,810,148
Accrued liabilities	1,159,310	-	-	7,776	1,167,086
Accounts payable from restricted assets	168,010	-	946,049	93,407	1,207,466
Other payables from restricted assets	441,861	-	-	28,179	470,040
Total liabilities	3,155,983	-	1,110,444	640,722	4,907,149
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	141,967	32,923	-	1,507	176,397
Fees and charges receivable	153,738	-	-	63,821	217,559
Prepaid taxes	8,965	-	-	-	8,965
Total deferred inflows of resources	304,670	32,923	-	65,328	402,921

Continued

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2019

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	\$ 1,528	\$ -	\$ -	\$ 16,538	\$ 18,066
Prepaid items	40,568	-	-	-	40,568
Restricted					
Stabilization by State Statute	7,961,838	1,755,000	3,098,941	3,164,383	15,980,162
Inspections	425,387	-	-	-	425,387
Parks capital projects	27,411	-	4,257,229	-	4,284,640
Streets capital projects	412,427	-	5,919,897	-	6,332,324
Municipal buildings projects	-	-	2,195,933	-	2,195,933
Public housing	-	-	-	146,765	146,765
Public safety	139,618	-	24,656	31,109	195,383
Transit capital purchases	-	-	-	5,682	5,682
Infrastructure capital projects	-	-	-	217,195	217,195
Library	-	-	21,841	143,838	165,679
Committed					
Debt service payments	-	7,494,829	-	-	7,494,829
Municipal buildings projects	-	-	-	47,375	47,375
Parks capital projects	-	-	-	53,791	53,791
Technology capital projects	-	-	25,202	-	25,202
Fire capital projects	-	-	-	4,825	4,825
Public housing	-	-	-	2,310,074	2,310,074
Economic development	-	-	3	133,707	133,710
Assigned					
Subsequent year's expenditures	3,355,766	-	-	-	3,355,766
Parks capital projects	-	-	-	102,448	102,448
Workforce Development	105,457	-	-	-	105,457
Municipal buildings projects	-	-	-	394,122	394,122
Fire capital projects	-	-	-	17,762	17,762
Technology capital projects	-	-	-	41,916	41,916
Economic development	157,494	-	-	-	157,494
Unassigned	13,630,629	(1,755,000)	(3,098,941)	(3,082,774)	5,693,914
Total fund balances	<u>26,258,123</u>	<u>7,494,829</u>	<u>12,444,761</u>	<u>3,748,756</u>	<u>49,946,469</u>
<b>TOTAL LIABILITIES, DEFERRED</b>					
<b>INFLOWS AND FUND BALANCES</b>	<u>\$ 29,718,776</u>	<u>\$ 7,527,752</u>	<u>\$ 13,555,205</u>	<u>\$ 4,454,806</u>	<u>\$ 55,256,539</u>

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



## GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

Fund balances - total governmental funds		\$ 49,946,469
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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	222,028,742	
Less accumulated depreciation	<u>98,045,678</u>	123,983,064

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	(58,108,000)	
Net other postemployment liability	(39,781,222)	
Orange County loan payable	(123,146)	
Bond premium	(446,522)	
Accrued vacation payable	(2,688,426)	
Net pension liability (LGERS)	(10,130,005)	
Total pension liability (LEO)	<u>(5,042,365)</u>	(116,319,686)

Deferred outflows of resources - pension	7,936,144	
Deferred outflows of resources - OPEB	919,371	
Deferred outflows of resources - LEOSSA	<u>635,615</u>	9,491,130

Deferred inflows of resources - pension	11,346	
Deferred inflows of resources - OPEB	(2,018,662)	
Deferred inflows of resources - LEOSSA	<u>(206,346)</u>	(2,213,662)

Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.		393,956
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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>3,818,577</u>
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Net position of governmental activities		<u>\$ 69,099,848</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, 2019

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
<b>REVENUES</b>					
Taxes	\$ 47,264,881	\$ 6,725,427	\$ -	\$ 375,816	\$ 54,366,124
Licenses and permits	3,246,115	-	-	-	3,246,115
Fines and forfeitures	38,403	-	-	-	38,403
Intergovernmental revenues					
Federal government	13,905	170,449	562,863	3,535,956	4,283,173
State government	7,903,415	-	121,709	205,835	8,230,959
Other	663,795	-	-	152,995	816,790
Charges for services	4,610,116	-	-	-	4,610,116
Interest on investments	111,625	306,816	42,006	12,308	472,755
Franchise rental fees	-	-	-	64,118	64,118
Program income	-	-	-	76,568	76,568
Donations	101,493	-	800,000	153,185	1,054,678
Revenue in lieu	22,992	-	(233,196)	271,016	60,812
Mutual aid reimbursements	516,295	-	-	-	516,295
Other	283,826	-	2,238	210,248	496,312
<b>Total revenues</b>	<b>64,776,861</b>	<b>7,202,692</b>	<b>1,295,620</b>	<b>5,058,045</b>	<b>78,333,218</b>
<b>EXPENDITURES</b>					
General government	13,884,472	-	-	-	13,884,472
Environment and development	16,246,900	-	-	1,911,085	18,157,985
Public safety	21,123,084	-	-	64,072	21,187,156
Leisure activities	9,840,249	-	-	329,560	10,169,809
Capital projects	-	-	5,590,233	4,704,008	10,294,241
Debt service:					
Principal	-	5,845,000	2,150,000	-	7,995,000
Interest and fiscal charges	-	2,412,252	21,500	-	2,433,752
<b>Total expenditures</b>	<b>61,094,705</b>	<b>8,257,252</b>	<b>7,761,733</b>	<b>7,008,725</b>	<b>84,122,415</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,682,156</b>	<b>(1,054,560)</b>	<b>(6,466,113)</b>	<b>(1,950,680)</b>	<b>(5,789,197)</b>

Continued

## GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
OTHER FINANCING SOURCES (USES)					
Insurance recovery	23,169	-	-	-	23,169
Transfer from other funds	45,000	1,359,731	400,000	1,774,626	3,579,357
Transfer to other funds	(2,173,699)	-	-	(45,000)	(2,218,699)
Total other financing sources (uses)	(2,105,530)	1,359,731	400,000	1,729,626	1,383,827
NET CHANGE IN TOTAL FUND BALANCES	1,576,626	305,171	(6,066,113)	(221,054)	(4,405,370)
FUND BALANCES, BEGINNING	24,681,497	7,189,658	18,510,874	3,969,810	54,351,839
FUND BALANCES, ENDING	\$ 26,258,123	\$ 7,494,829	\$ 12,444,761	\$ 3,748,756	\$ 49,946,469

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, 2019

Net change in fund balances - total governmental funds \$ (4,405,370)

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	6,240,238	
Current year's depreciation	<u>7,399,455</u>	(1,159,217)

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	7,995,000
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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 bond premium	23,712
Change in long-term compensated absences	124,479
Change in long-term separation allowance	(97,023)
Other postemployment benefits	(2,283,319)
Pension expense	(165,167)

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

2,406,820

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

(209,293)

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

79,557

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

(714,738)

Change in net position of governmental activities \$ 1,595,441

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, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 31,771,000	\$ 31,771,000	\$ 31,779,093	\$ 8,093
Local option sales taxes	13,853,827	13,853,827	14,048,261	194,434
Other taxes	1,357,500	1,357,500	1,437,527	80,027
Licenses and permits	2,605,080	2,605,080	3,246,115	641,035
Fines and forfeitures	41,500	41,500	38,403	(3,097)
Intergovernmental revenues	8,507,489	8,517,489	8,581,115	63,626
Charges for services	4,230,118	4,230,118	4,610,116	379,998
Interest on investments	50,000	50,000	111,625	61,625
Other	778,600	853,909	924,606	70,697
<b>TOTAL REVENUES</b>	<b>63,195,114</b>	<b>63,280,423</b>	<b>64,776,861</b>	<b>1,496,438</b>
<b>EXPENDITURES</b>				
General government	13,803,236	14,547,954	13,884,472	663,482
Environment and development	17,479,736	17,720,713	16,246,900	1,473,813
Public safety	22,846,833	22,883,643	21,123,084	1,760,559
Leisure activities	10,767,249	10,819,165	9,840,249	978,916
<b>Total expenditures</b>	<b>64,897,054</b>	<b>65,971,475</b>	<b>61,094,705</b>	<b>4,876,770</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,701,940)</b>	<b>(2,691,052)</b>	<b>3,682,156</b>	<b>6,373,208</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recovery	20,000	20,000	23,169	3,169
Transfer from other funds	45,000	45,000	45,000	-
Transfer to other funds	(1,459,946)	(2,192,282)	(2,173,699)	18,583
Appropriated fund balance	3,096,886	4,818,334	-	(4,818,334)
<b>Total other financing sources (uses)</b>	<b>1,701,940</b>	<b>2,691,052</b>	<b>(2,105,530)</b>	<b>(4,796,582)</b>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,576,626</b>	<b>\$ 1,576,626</b>
<b>FUND BALANCE, BEGINNING</b>			<b>24,681,497</b>	
<b>FUND BALANCE, ENDING</b>			<b>\$ 26,258,123</b>	

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, 2019 (With Comparative Totals as of June 30, 2018)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 19,913,908	\$ 450	\$ 4,082,349	\$ 3,478,393
Restricted cash and cash equivalents	-	-	74,121	2,675,941
Receivables:				
Accounts receivable, net	1,563,179	53,746	12,539	308,346
Governmental units and agencies	2,551,063	6,042	-	10,289
Property taxes, net	24,083	-	-	-
Prepaid items	323	151,711	-	-
Inventories	1,137,121	-	33,864	-
Total current assets	<u>25,189,677</u>	<u>211,949</u>	<u>4,202,873</u>	<u>6,472,969</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,171,115	2,000,673	183,788
Other capital assets, net of accumulated depreciation	27,412,113	446,860	6,756,472	2,290,597
Total capital assets, net	<u>29,511,650</u>	<u>3,617,975</u>	<u>8,757,145</u>	<u>2,474,385</u>
Total noncurrent assets	<u>29,511,650</u>	<u>3,617,975</u>	<u>8,757,145</u>	<u>2,474,385</u>
<b>TOTAL ASSETS</b>	<u>54,701,327</u>	<u>3,829,924</u>	<u>12,960,018</u>	<u>8,947,354</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension & OPEB deferrals	3,056,877	147,975	239,036	201,094
Total deferred outflows of resources	<u>3,056,877</u>	<u>147,975</u>	<u>239,036</u>	<u>201,094</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	475,971	107,715	40,944	278,230
Accrued liabilities	273,323	9,040	17,425	20,863
Deposits payable from restricted assets	-	-	74,121	30,175
Due to other funds	-	2,203,049	280,480	-
Compensated absences	517,668	28,143	50,097	39,473
Unearned revenue	24,083	-	-	-
Bonds payable	-	-	-	135,000
Installment purchase agreements	610,000	-	-	-
Total current liabilities	<u>1,901,045</u>	<u>2,347,947</u>	<u>463,067</u>	<u>503,741</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	-	1,814	6,629	-
Net other postemployment liability	13,756,437	665,786	1,076,354	903,234
Net pension liability	3,695,458	130,392	291,672	144,743
Bonds payable	-	-	-	2,430,000
Bond premium	-	-	-	123,076
Installment purchase agreements	4,641,000	-	-	-
Total noncurrent liabilities	<u>22,092,895</u>	<u>797,992</u>	<u>1,374,655</u>	<u>3,601,053</u>
Total liabilities	<u>23,993,940</u>	<u>3,145,939</u>	<u>1,837,722</u>	<u>4,104,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	826,919	40,029	64,662	54,398
<b>NET POSITION</b>				
Net investment in capital assets	24,260,650	3,617,975	8,757,145	2,432,075
Unrestricted	8,676,695	(2,826,044)	2,539,525	2,557,181
Total net position	<u>\$ 32,937,345</u>	<u>\$ 791,931</u>	<u>\$ 11,296,670</u>	<u>\$ 4,989,256</u>

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

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Enterprise Funds		Internal Service Funds	
	Comparative Totals		Comparative Totals	
	2019	2018	2019	2018
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 27,475,100	\$ 23,952,865	\$ 1,604,655	\$ 2,644,994
Restricted cash and cash equivalents	2,750,062	2,935,605	-	-
Receivables:				
Accounts receivable, net	1,937,810	491,706	11,598	14,065
Governmental units and agencies	2,567,394	1,758,365	-	-
Property taxes, net	24,083	13,465	-	-
Prepaid items	152,034	154,702	-	-
Inventories	1,170,985	1,202,799	50,869	63,720
Total current assets	<u>36,077,468</u>	<u>30,509,507</u>	<u>1,667,122</u>	<u>2,722,779</u>
<b>NONCURRENT ASSETS</b>				
Capital assets:				
Land and other non-depreciable assets	7,455,113	8,635,334	-	-
Other capital assets, net of accumulated depreciation	36,906,042	37,571,111	3,411,923	3,522,130
Total capital assets, net	<u>44,361,155</u>	<u>46,206,445</u>	<u>3,411,923</u>	<u>3,522,130</u>
Total noncurrent assets	<u>44,361,155</u>	<u>46,206,445</u>	<u>3,411,923</u>	<u>3,522,130</u>
TOTAL ASSETS	<u>80,438,623</u>	<u>76,715,952</u>	<u>5,079,045</u>	<u>6,244,909</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	3,644,982	3,364,625	161,886	116,854
Total deferred outflows of resources	<u>3,644,982</u>	<u>3,364,625</u>	<u>161,886</u>	<u>116,854</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	902,860	1,121,761	140,082	237,023
Accrued liabilities	320,651	315,688	13,690	11,523
Deposits payable from restricted assets	104,296	104,353	-	-
Due to other funds	2,483,529	2,513,751	-	-
Compensated absences	635,381	632,170	27,889	26,266
Unearned revenue	24,083	51,006	-	-
Bonds payable	135,000	135,000	-	-
Installment purchase agreements	610,000	597,000	261,112	390,167
Total current liabilities	<u>5,215,800</u>	<u>5,470,729</u>	<u>442,773</u>	<u>664,979</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	8,443	5,737	3,672	9,823
Net other postemployment liability	16,401,811	15,428,014	728,058	680,806
Net pension liability	4,262,265	2,710,997	138,088	84,596
Bonds payable	2,430,000	2,565,000	-	-
Bond premium	123,076	129,554	-	-
Installment purchase agreements	4,641,000	5,251,000	65,971	327,090
Total noncurrent liabilities	<u>27,866,595</u>	<u>26,090,302</u>	<u>935,789</u>	<u>1,102,315</u>
Total liabilities	<u>33,082,395</u>	<u>31,561,031</u>	<u>1,378,562</u>	<u>1,767,294</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	986,008	1,375,783	43,792	61,154
<b>NET POSITION</b>				
Net investment in capital assets	39,067,845	40,360,967	3,084,840	2,804,873
Unrestricted	10,947,357	6,782,796	733,737	1,728,442
Total net position	<u>\$ 50,015,202</u>	<u>\$ 47,143,763</u>	<u>\$ 3,818,577</u>	<u>\$ 4,533,315</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	Stormwater Management Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 962,431	\$ 2,590,653	\$ 1,017,155	\$ 2,884,075
<b>OPERATING EXPENSES</b>				
Personnel	15,158,499	726,944	1,032,882	1,097,547
Drainage maintenance	-	-	-	149,934
Depreciation and amortization	4,514,487	85,949	645,058	118,644
Fuel and tires	1,464,531	-	-	-
Indirect costs	1,228,574	65,283	-	103,354
Maintenance and repairs	-	8,146	103,219	-
Building maintenance	586,293	-	-	-
Vehicle maintenance	1,418,296	-	-	-
Utilities	-	-	182,180	-
Insurance	279,085	-	-	-
Advertising and marketing	40,748	-	-	-
Professional services	8,300	-	-	280,656
Contracted services	1,078,487	132,966	372,224	98,541
Tarheel Express	260,267	-	-	-
Uniforms and supplies	130,928	-	-	-
Credit card fees	-	143,399	-	-
Rent	-	503,701	-	59,270
Other	391,763	217,505	199,051	46,874
Total operating expenses	26,560,258	1,883,893	2,534,614	1,954,820
<b>OPERATING INCOME (LOSS)</b>	<b>(25,597,827)</b>	<b>706,760</b>	<b>(1,517,459)</b>	<b>929,255</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Operating Assistance Grant	4,038,242	-	1,193,827	-
State Operating Assistance Grant	2,439,178	-	-	-
Operating assistance-UNC Chapel Hill	8,650,740	-	-	-
Operating assistance-Town of Carrboro	1,808,940	-	-	7,500
Operating assistance - TTA Vehicle Fees	2,829,635	-	-	-
Vehicle licenses	441,753	-	-	-
Ad valorem taxes	4,918,809	-	-	-
Interest on investments	88,111	1,970	1,701	59,666
Insurance recovery	5,659	-	-	-
Interest expense	(119,028)	-	-	(99,019)
Gain (Loss) on sale of capital assets	(44,523)	15,000	4,820	-
Revenue in lieu	-	-	-	423,876
Total nonoperating revenues (expenses), net	25,057,516	16,970	1,200,348	392,023
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(540,311)</b>	<b>723,730</b>	<b>(317,111)</b>	<b>1,321,278</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>2,695,405</b>	<b>-</b>	<b>349,106</b>	<b>-</b>
<b>TRANSFERS</b>				
Transfers in	-	-	-	10,245
Transfers out	(456,272)	(914,631)	-	-
Total transfers	(456,272)	(914,631)	-	10,245
<b>CHANGE IN NET POSITION</b>	<b>1,698,822</b>	<b>(190,901)</b>	<b>31,995</b>	<b>1,331,523</b>
<b>NET POSITION, BEGINNING</b>	<b>31,238,523</b>	<b>982,832</b>	<b>11,264,675</b>	<b>3,657,733</b>
<b>NET POSITION, ENDING</b>	<b>\$ 32,937,345</b>	<b>\$ 791,931</b>	<b>\$ 11,296,670</b>	<b>\$ 4,989,256</b>

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, 2019 (With Comparative Totals as of June 30, 2018)

	Enterprise Funds		Internal Service Funds	
	Comparative Totals		Comparative Totals	
	2019	2018	2019	2018
OPERATING REVENUES				
Charges for services	\$ 7,454,314	\$ 7,320,503	\$ 1,802,041	\$ 2,209,345
OPERATING EXPENSES				
Personnel	18,015,872	15,033,021	669,303	590,790
Drainage maintenance	149,934	312,204	-	-
Depreciation and amortization	5,364,138	5,152,149	1,036,413	1,163,833
Fuel and tires	1,464,531	1,178,991	-	-
Indirect costs	1,397,211	1,356,118	-	-
Maintenance and repairs	111,365	318,752	-	-
Building maintenance	586,293	615,999	-	-
Vehicle maintenance	1,418,296	1,182,437	-	-
Utilities	182,180	170,556	-	-
Insurance	279,085	286,006	-	-
Advertising and marketing	40,748	46,123	-	-
Professional services	288,956	483,717	-	-
Contracted services	1,682,218	1,118,771	-	-
Tarheel Express	260,267	251,345	-	-
Uniforms and supplies	130,928	128,914	-	-
Credit card fees	143,399	108,471	-	-
Rent	562,971	386,921	-	-
Other	855,193	781,114	987,743	885,620
Total operating expenses	32,933,585	28,911,609	2,693,459	2,640,243
OPERATING INCOME (LOSS)	(25,479,271)	(21,591,106)	(891,418)	(430,898)
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	5,232,069	2,174,167	-	-
State Operating Assistance Grant	2,439,178	3,667,530	-	-
Operating assistance-UNC Chapel Hill	8,650,740	7,363,164	-	-
Operating assistance-Town of Carrboro	1,816,440	1,462,512	-	-
Operating assistance - TTA Vehicle Fees	2,829,635	2,964,287	-	-
Vehicle licenses	441,753	444,149	-	-
Ad valorem taxes	4,918,809	4,012,875	-	-
Interest on investments	151,448	66,767	9,413	7,976
Insurance recovery	5,659	55,799	56,200	51,671
Interest expense	(218,047)	(156,244)	(10,456)	(21,382)
Gain (Loss) on sale of capital assets	(24,703)	234,490	121,523	85,294
Revenue in lieu	423,876	6,071	-	-
Total nonoperating revenues (expenses), net	26,666,857	22,295,567	176,680	123,559
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,187,586	704,461	(714,738)	(307,339)
CAPITAL CONTRIBUTIONS	3,044,511	3,174,767	-	-
TRANSFERS				
Transfers in	10,245	524,400	-	-
Transfers out	(1,370,903)	(1,528,602)	-	-
Total transfers	(1,360,658)	(1,004,202)	-	-
CHANGE IN NET POSITION	2,871,439	2,875,026	(714,738)	(307,339)
NET POSITION, BEGINNING	47,143,763	44,268,737	4,533,315	4,840,654
NET POSITION, ENDING	\$ 50,015,202	\$ 47,143,763	\$ 3,818,577	\$ 4,533,315

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, 2019 (With Comparative Totals as of June 30, 2018)**

	<b>Transit Fund</b>	<b>Parking Facilities Fund</b>	<b>Housing Operating Fund</b>	<b>Stormwater Management Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 962,431	\$ 2,577,838	\$ 1,100,014	\$ 2,858,155
Payments to employees	(13,471,261)	(701,455)	(897,319)	(1,106,947)
Payments to suppliers	(9,320,639)	(1,242,309)	(999,949)	(515,251)
Net cash provided by (used in) operating activities	<u>(21,829,469)</u>	<u>634,074</u>	<u>(797,254)</u>	<u>1,235,957</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Grant funds received	6,477,420	-	1,193,827	-
Transit partner assistance received	13,289,315	-	-	-
Operating assistance received	-	-	-	7,500
Taxes and licenses received	5,360,562	-	-	-
Transfers to other funds	(456,272)	(914,631)	-	-
Transfers from other funds	-	-	-	10,245
Revenue in lieu received	-	-	-	423,876
Net cash provided by (used in) noncapital financing activities	<u>24,671,025</u>	<u>(914,631)</u>	<u>1,193,827</u>	<u>441,621</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from installment purchase agreements	-	-	-	-
Proceeds from bonds payable	-	-	-	-
Premium on debt	-	-	-	-
Principal paid on general obligation bonds and installment purchase agreements	(597,000)	-	-	(135,000)
Interest paid on general obligation bonds and installment purchase agreements	(119,028)	-	-	(99,019)
Amortization of bond premium	-	-	-	(6,478)
Proceeds from sale of capital assets	15,217	15,000	4,820	-
Proceeds from insurance recovery	5,659	-	-	-
Acquisition and construction of capital assets	(43,715)	(25,000)	-	(465,362)
Net cash provided by (used in) capital and related financing activities	<u>(738,867)</u>	<u>(10,000)</u>	<u>4,820</u>	<u>(705,859)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	88,111	1,970	1,701	59,666
Net cash provided by investing activities	<u>88,111</u>	<u>1,970</u>	<u>1,701</u>	<u>59,666</u>

Continued

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 7,498,438	\$ 7,242,873	\$ 1,804,508	\$ 2,213,877
Payments to employees	(16,176,982)	(15,719,843)	(633,314)	(615,844)
Payments to suppliers	(12,078,148)	(7,918,034)	(1,071,833)	(967,422)
Net cash provided by (used in) operating activities	(20,756,692)	(16,395,004)	99,361	630,611
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	7,671,247	5,841,697	-	-
Transit partner assistance received	13,289,315	11,782,463	-	-
Operating assistance received	7,500	7,500	-	-
Taxes and licenses received	5,360,562	4,457,024	-	-
Transfers to other funds	(1,370,903)	(1,528,602)	-	-
Transfers from other funds	10,245	524,400	-	-
Revenue in lieu received	423,876	6,071	-	-
Net cash provided by (used in) noncapital financing activities	25,391,842	21,090,553	-	-
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 general obligation bonds and installment purchase agreements	(732,000)	(560,000)	(390,174)	(629,012)
Interest paid on general obligation bonds and installment purchase agreements	(218,047)	(156,244)	(10,456)	(21,382)
Amortization of bond premium	(6,478)	-	-	-
Proceeds from sale of capital assets	35,037	310,215	121,523	85,294
Proceeds from insurance recovery	5,659	55,799	56,200	51,671
Acquisition and construction of capital assets	(534,077)	(943,601)	(926,206)	(600,152)
Net cash provided by (used in) capital and related financing activities	(1,449,906)	1,535,723	(1,149,113)	(1,113,581)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	151,448	66,767	9,413	7,976
Net cash provided by investing activities	151,448	66,767	9,413	7,976

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)**

	<b>Transit Fund</b>	<b>Parking Facilities Fund</b>	<b>Housing Operating Fund</b>	<b>Stormwater Management Fund</b>
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	2,190,800	(288,587)	403,094	1,031,385
CASH AND INVESTMENTS, BEGINNING	17,723,108	289,037	3,753,376	5,122,949
CASH AND INVESTMENTS, ENDING	<u>\$ 19,913,908</u>	<u>\$ 450</u>	<u>\$ 4,156,470</u>	<u>\$ 6,154,334</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (25,597,827)	\$ 706,760	\$ (1,517,459)	\$ 929,255
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,514,487	85,949	645,058	118,644
Pension expense	862,435	(12,382)	71,448	(40,365)
Changes in assets and liabilities:				
Receivables	(2,309,932)	(12,815)	82,916	(25,920)
Prepaid items	2,953	-	-	178
Inventories	24,921	(463)	6,893	-
Due from other funds	-	103,049	(133,271)	-
Accounts payable	(151,309)	(273,895)	(16,897)	223,200
Accrued liabilities	(19,077)	(495)	976	(3,364)
Customer deposits	-	-	(57)	-
Accrued compensated absences	22,744	(5,582)	5,313	(16,558)
Accrued OPEB liability	821,136	43,948	57,826	50,887
(Increase) decrease in deferred outflows of resources for pensions	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (21,829,469)</u>	<u>\$ 634,074</u>	<u>\$ (797,254)</u>	<u>\$ 1,235,957</u>
<b>SUMMARY OF NON-CASH ACTIVITIES:</b>				
Capital asset contributions	<u>\$ 2,695,405</u>	<u>\$ -</u>	<u>\$ 349,106</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, 2019 (With Comparative Totals as of June 30, 2018)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2019	2018	2019	2018
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	3,336,692	6,298,039	(1,040,339)	(474,994)
CASH AND INVESTMENTS, BEGINNING	26,888,470	20,590,431	2,644,994	3,119,988
CASH AND INVESTMENTS, ENDING	\$ 30,225,162	\$ 26,888,470	\$ 1,604,655	\$ 2,644,994
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (25,479,271)	\$ (21,591,106)	\$ (891,418)	\$ (430,898)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	5,364,138	5,152,149	1,036,413	1,163,833
Pension expense	881,136	16,657	-	-
Changes in assets and liabilities:				
Receivables	(2,265,751)	674,661	2,467	4,532
Prepaid items	3,131	12,865	-	-
Inventories	31,351	(322,660)	12,851	(2,986)
Due from other funds	(30,222)	(42,218)	-	-
Accounts payable	(218,901)	413,828	(96,941)	(78,816)
Accrued liabilities	(21,960)	407	2,167	996
Customer deposits	(57)	(5,701)	-	-
Accrued compensated absences	5,917	774	(4,528)	4,471
Accrued OPEB liability	973,797	(704,660)	47,252	(31,095)
(Increase) decrease in deferred outflows of resources for pensions	-	-	(8,902)	574
Net cash provided by (used in) operating activities	\$ (20,756,692)	\$ (16,395,004)	\$ 99,361	\$ 630,611
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	\$ 3,044,511	\$ 3,174,767	\$ -	\$ -

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, 2019

	<u>OPEB Trust Fund</u>
<b>ASSETS</b>	
Restricted assets:	
Investments:	
Cash and cash equivalents	\$ -
Equity Index	5,368,371
Bond Index	-
Short Term Investment	-
	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,368,371</u>
<b>NET POSITION</b>	
Net position restricted for postemployment benefits other than pensions	<u>\$ 5,368,371</u>

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

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

OTHER POSTEMPLOYMENT (OPEB) TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>OPEB Trust Fund</u>
Additions:	
Employer contributions:	\$ 2,964,615
Investment income:	100,313
Total additions	<u>3,064,928</u>
Deductions:	
Benefit payments	2,124,615
Administrative expense	-
Total deductions	<u>2,124,615</u>
Change in net position	<u>940,313</u>
Net position restricted for postemployment benefits other than pensions:	
Beginning of year	4,428,058
End of year	<u>\$ 5,368,371</u>

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

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**TOWN OF CHAPEL HILL, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, sales taxes, utility franchise taxes, State grants, licenses, and charges for services. The primary expenditures are for general government, environment and development, public safety, and leisure activities.

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

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

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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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

#### 4. Budgetary Data

As required by North Carolina General Statutes, balanced budgets are adopted for every fund on either an annual or project life basis. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Town Council and all annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Transit Grants Fund, Public Housing Capital Projects Fund, Community Development Entitlement 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, 2019.

The Council's schedule for developing the 2018-19 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in February and a public hearing was held in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 13, 2018.

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 non-money market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

The NCCMT Government Portfolio, a government money market, is measured at fair value.

## 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."

## 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.

A portion of the cash in the Housing Operations Fund, Capital Projects Fund and Transitional Housing Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the 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. Restrictions are in place for grants in the Transit Capital Grants Fund, Public Housing Capital Grants Fund, and Community Development Entitlement Fund. Donations in the Library Gift Fund are also classified as restricted.

Government Activities:	
General Fund	
Surety deposits	\$ 609,871
Capital Projects Ordinance Fund	
Unspent bond proceeds	10,399,432
Capital Projects Fund	
Tenant deposits	1,347
Capital Reserve Fund	
Capital project restrictions	217,195
Transit Capital Grants Fund	
Grant restrictions	5,681
Public Housing Capital Grants Fund	
Grant restrictions	32,929
Community Development Entitlement Fund	
Grant restrictions	127,686
Transitional Housing Fund	
Tenant deposits	26,832
Library Gift Fund	
Donation restrictions	164,099
Total government activities	<u>\$ 11,585,072</u>
Business-type Activities:	
Housing Fund	
Customer deposits	\$ 74,121
Stormwater Fund	
Unspent bond proceeds	2,645,766
Surety deposits	30,175
Total business-type activities	<u>\$ 2,750,062</u>
Total Restricted Cash	<u><u>\$ 14,335,134</u></u>

#### 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 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. The taxes levied are based on the assessed values as of January 1, 2018.

#### 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 for the 2019 fiscal year, and OPEB deferrals for the 2019 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 that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. Compensated absences are reported in the governmental funds only if they have matured.

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

#### 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 \$10,399,432 in Restricted Net Position between Exhibit 3, Governmental Funds Balance Sheet and Exhibit I, 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is

included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

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

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

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

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

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

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

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

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

#### 18. Pensions and OPEB Plan

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), and one other postemployment benefit plan (OPEB), the "Healthcare Benefits Plan" (HCB). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plan.

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

## **B. Deposits**

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

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

At June 30, 2019, the Town's deposits had a carrying amount of \$61,425,082 and a bank balance of \$76,892,738. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$19,239,188 was covered by collateral held under the Dedicated Method, and \$56,403,550 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$5,057 at year end.

At June 30, 2019, OWASA's deposits had a carrying amount of \$17,456,835 and a bank balance of \$16,672,254. Of the bank balance, \$250,000 was covered by federal depository insurance and \$16,422,254 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, 2019, the Town's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 06/30/2019</b>	<b>Maturity</b>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 14,682,761	N/A
NC Capital Management Trust - Government Portfolio (OPEB Trust)	Fair Value Level 1	5,368,371	N/A
<b>Total:</b>		<b>\$ 20,051,132</b>	

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, 2019, the Town of Chapel Hill had \$14,682,761 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, 2019, the Town's Healthcare Benefits (HCB) Plan fund had \$5,368,371 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.

At June 30, 2019, OWASA had \$6,339,456 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, 2019.

*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, 2019 consists of the following:

	<b>Governmental Funds</b>	<b>Business-Type Funds</b>
Sales tax refunds receivable	\$ 489,434	\$ -
Due from Federal Government	810,654	1,981,160
Due from State	5,609,069	100,758
Due from local governments	338,407	485,476
	<u>\$ 7,247,564</u>	<u>\$ 2,567,394</u>

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

Property taxes receivable	\$ 314,528	\$ -
Accounts receivable	7,002	25,005
	<u>\$ 321,530</u>	<u>\$ 25,005</u>



**E. Capital Assets**

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2019 follows:

	July 1, 2018	Increases	Decreases	June 30, 2019
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 37,109,580	\$ -	\$ -	\$ 37,109,580
Easements	231,873	56,693	-	288,566
Construction in progress	17,387,248	4,522,659	5,567,720	16,342,187
Total capital assets, not being depreciated	<u>54,728,701</u>	<u>4,579,352</u>	<u>5,567,720</u>	<u>53,740,333</u>
Capital assets, being depreciated:				
Land improvements	25,464,352	5,666,713	-	31,131,065
Infrastructure	36,920,716	-	-	36,920,716
Buildings and building improvements	85,556,509	1,412,562	-	86,969,071
Equipment	9,081,416	143,732	-	9,225,148
Vehicles	19,957,213	931,805	1,397,594	19,491,424
Total capital assets, being depreciated	<u>176,980,206</u>	<u>8,154,812</u>	<u>1,397,594</u>	<u>183,737,424</u>
Accumulated depreciation:				
Land improvements	10,730,938	1,315,835	-	12,046,773
Infrastructure	29,267,378	1,476,829	-	30,744,207
Buildings and building improvements	42,193,301	3,800,698	-	45,993,999
Equipment	6,964,587	613,734	-	7,578,321
Vehicles	13,888,292	1,228,772	1,397,594	13,719,470
Total accumulated depreciation	<u>103,044,496</u>	<u>8,435,868</u>	<u>1,397,594</u>	<u>110,082,770</u>
Total capital assets, being depreciated, net	<u>73,935,710</u>	<u>(281,056)</u>	<u>-</u>	<u>73,654,654</u>
Governmental activities capital assets, net	<u>\$ 128,664,411</u>	<u>\$ 4,298,296</u>	<u>\$ 5,567,720</u>	<u>\$ 127,394,987</u>

	July 1, 20018	Increases	Decreases	June 30, 2019
<b>Business-type activities:</b>				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>2,099,537</u>	<u>-</u>	<u>-</u>	<u>2,099,537</u>
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,693,132	14,920	-	17,708,052
Equipment	2,201,841	51,384	-	2,253,225
Vehicles	46,470,250	2,672,816	2,403,374	46,739,692
Total capital assets, being depreciated	<u>72,339,231</u>	<u>2,739,120</u>	<u>2,403,374</u>	<u>72,674,977</u>
Accumulated depreciation:				
Land improvements	4,465,780	186,775	-	4,652,555
Buildings and building improvements	9,088,250	817,620	-	9,905,870
Equipment	2,058,449	36,881	-	2,095,330
Vehicles	27,479,532	3,473,211	2,343,634	28,609,109
Total accumulated depreciation	<u>43,092,011</u>	<u>4,514,487</u>	<u>2,343,634</u>	<u>45,262,864</u>
Total capital assets, being depreciated, net	<u>29,247,220</u>	<u>(1,775,367)</u>	<u>59,740</u>	<u>27,412,113</u>
Transit fund capital assets, net	<u>\$ 31,346,757</u>	<u>\$ (1,775,367)</u>	<u>\$ 59,740</u>	<u>\$ 29,511,650</u>
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	<u>3,171,115</u>	<u>-</u>	<u>-</u>	<u>3,171,115</u>
Capital assets, being depreciated:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,296,236	-	-	7,296,236
Equipment	1,133,699	25,000	317,492	841,207
Total capital assets, being depreciated	<u>8,923,566</u>	<u>25,000</u>	<u>317,492</u>	<u>8,631,074</u>
Accumulated depreciation:				
Land improvements	414,488	5,571	-	420,059
Buildings and building improvements	7,286,505	589	-	7,287,094
Equipment	714,764	79,789	317,492	477,061
Total accumulated depreciation	<u>8,415,757</u>	<u>85,949</u>	<u>317,492</u>	<u>8,184,214</u>
Total capital assets, being depreciated, net	<u>507,809</u>	<u>(60,949)</u>	<u>-</u>	<u>446,860</u>
Parking facilities fund capital assets, net	<u>\$ 3,678,924</u>	<u>\$ (60,949)</u>	<u>\$ -</u>	<u>\$ 3,617,975</u>

	July 1, 2018	Increases	Decreases	June 30, 2019
<b>Housing Operating Fund:</b>				
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	<u>2,000,673</u>	-	-	<u>2,000,673</u>
Capital assets, being depreciated:				
Land improvements	336,519	-	-	336,519
Buildings and building improvements	23,164,024	349,106	-	23,513,130
Equipment	438,283	-	-	438,283
Vehicles	257,908	-	35,490	222,418
Total capital assets, being depreciated	<u>24,196,734</u>	<u>349,106</u>	<u>35,490</u>	<u>24,510,350</u>
Accumulated depreciation:				
Land improvements	287,653	11,102	-	298,755
Buildings and building improvements	16,255,949	605,572	-	16,861,521
Equipment	396,655	11,894	-	408,549
Vehicles	204,053	16,490	35,490	185,053
Total accumulated depreciation	<u>17,144,310</u>	<u>645,058</u>	<u>35,490</u>	<u>17,753,878</u>
Total capital assets, being depreciated, net	<u>7,052,424</u>	<u>(295,952)</u>	-	<u>6,756,472</u>
Housing operating fund capital assets, net	<u>\$ 9,053,097</u>	<u>\$ (295,952)</u>	<u>\$ -</u>	<u>\$ 8,757,145</u>
<b>Stormwater Management Fund:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,364,009	\$ 14,064	\$ 1,194,285	\$ 183,788
Total capital assets, not being depreciated	<u>1,364,009</u>	<u>14,064</u>	<u>1,194,285</u>	<u>183,788</u>
Capital assets, being depreciated:				
Land improvements	1,108,481	1,342,775	-	2,451,256
Equipment	88,558	65,354	-	153,912
Vehicles	-	237,454	-	237,454
Total capital assets, being depreciated	<u>1,197,039</u>	<u>1,645,583</u>	-	<u>2,842,622</u>
Accumulated depreciation:				
Land improvements	382,308	87,124	-	469,432
Equipment	51,073	14,559	-	65,632
Vehicles	-	16,961	-	16,961
Total accumulated depreciation	<u>433,381</u>	<u>118,644</u>	-	<u>552,025</u>
Total capital assets, being depreciated, net	<u>763,658</u>	<u>1,526,939</u>	-	<u>2,290,597</u>
Stormwater management fund capital assets, net	<u>\$ 2,127,667</u>	<u>\$ 1,541,003</u>	<u>\$ 1,194,285</u>	<u>\$ 2,474,385</u>
Business-type activities capital assets, net	<u>\$ 46,206,445</u>	<u>\$ (498,069)</u>	<u>\$ 1,347,221</u>	<u>\$ 44,361,155</u>

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

Governmental activities:	
General government	\$ 388,382
Environment and development	4,061,186
Public safety	463,879
Leisure activities	2,486,008
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,036,413
<b>Total depreciation expense - governmental activities</b>	<b>\$ 8,435,868</b>
Business-type activities:	
Transit	\$ 4,514,487
Parking facilities	85,949
Housing Operating	645,058
Stormwater Management	118,644
<b>Total depreciation expense - business-type activities</b>	<b>\$ 5,364,138</b>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2019, follows:

	July 1, 2018	Increases	Decreases	Transfers	June 30, 2019
Capital assets, not being depreciated:					
Land	\$ 17,605,354	\$ -	\$ -		\$ 17,605,354
Construction in progress	40,684,883	17,299,150	-	(7,870,558)	50,113,475
<b>Total capital assets, not being depreciated</b>	<b>58,290,237</b>	<b>17,299,150</b>	<b>-</b>	<b>(7,870,558)</b>	<b>67,718,829</b>
Capital assets, being depreciated:					
Water treatment and distribution	167,433,487	1,975,079	-	6,338,790	175,747,356
Sewer collection and treatment	220,187,222	1,836,692	-	374,803	222,398,717
Fixtures and equipment	47,400,290	899,487	(495,329)	1,156,965	48,961,413
<b>Total capital assets, being depreciated</b>	<b>435,020,999</b>	<b>4,711,258</b>	<b>(495,329)</b>	<b>7,870,558</b>	<b>447,107,486</b>
Less accumulated depreciation for:					
Water treatment and distribution	68,026,152	3,688,192	-	-	71,714,344
Sewer collection and treatment	72,046,580	4,530,053	-	-	76,576,633
Fixtures and equipment	34,440,139	1,339,842	(477,975)	-	35,302,006
<b>Total accumulated depreciation</b>	<b>174,512,871</b>	<b>9,558,087</b>	<b>(477,975)</b>	<b>-</b>	<b>183,592,983</b>
<b>Total capital assets, being depreciated, net</b>	<b>260,508,128</b>	<b>(4,846,829)</b>	<b>(17,354)</b>	<b>7,870,558</b>	<b>263,514,503</b>
<b>Total capital assets, net</b>	<b>\$ 318,798,365</b>	<b>\$ 12,452,321</b>	<b>\$ (17,354)</b>	<b>\$ -</b>	<b>\$ 331,233,332</b>

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

Capital Assets	\$ 222,028,742
Depreciation	(98,045,678)
	<u>123,983,064</u>
Internal service fund capital assets, net of depreciation	3,411,923
Total Capital Assets, net	<u>\$ 127,394,987</u>
Debt:	
Short-term portion of debt	\$ 8,295,564
Long-term portion of debt	109,248,912
Total Debt	<u>117,544,476</u>
Less Total pension liability (LEOSAA) (unrelated to capital)	(5,042,365)
Less Net Pension Liability (LGERS) (unrelated to capital)	(10,268,093)
Less Compensated absences (unrelated to capital)	(2,719,987)
Less Other Postemployment Benefits (unrelated to capital)	(40,509,280)
Unspent proceeds, governmental funds	<u>(10,399,432)</u>
Capital Related Debt	<u>48,605,319</u>
Net investment in capital assets	<u>\$ 78,789,668</u>

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

Total Capital Assets, net	<u>\$ 44,361,155</u>
Debt:	
Short-term portion of debt	1,380,381
Long-term portion of debt	<u>27,866,595</u>
Total Debt	29,246,976
Less Net Pension Liability (LGERS) (unrelated to capital)	(4,262,265)
Less Compensated Absences (unrelated to capital)	(643,824)
Less Other Postemployment Benefits (unrelated to capital)	(16,401,811)
Unspent proceeds, business-type funds	<u>(2,645,766)</u>
Capital Related Debt	<u>5,293,310</u>
Net investment in capital assets	<u>\$ 39,067,845</u>

**F. Payables**

Payables at the government-wide level at June 30, 2019, were as follows:

	<b>Vendors</b>	<b>Other</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 1,554,812	\$ 1,601,171	\$ 3,155,983
Other Governmental	1,602,884	49,645	1,652,529
	<u>\$ 3,157,696</u>	<u>\$ 1,650,816</u>	<u>\$ 4,808,512</u>
<b>Business-Type Activities:</b>			
Transit	475,971	273,323	749,294
Parking Facilities	107,715	9,040	116,755
Housing Operations	40,944	91,546	132,490
Stormwater Management	278,230	51,038	329,268
	<u>\$ 902,860</u>	<u>\$ 424,947</u>	<u>\$ 1,327,807</u>

**G. Long-Term Debt**

a. General Obligation Indebtedness

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

Bonds payable at June 30, 2019 are comprised of the following individual issues:

General Obligation Bonds

*Serviced by the Debt Service Fund:*

<p><b>\$12,250,000</b> 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%</p>	<p>\$ 12,250,000</p>
<p><b>\$4,655,000</b> 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%</p>	<p>1,550,000</p>

<b>\$1,700,000</b> 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%	1,105,000
<b>\$3,050,000</b> - 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%	2,053,000
<b>\$9,000,000</b> 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%	8,100,000
<b>\$1,460,000</b> 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%	1,160,000
<b>\$9,800,000</b> 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%	9,310,000
	<u>\$ 35,528,000</u>

*Serviced by the Stormwater Fund:*

<b>\$2,700,000</b> 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>\$ 2,565,000</u>
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At June 30, 2019, the Town of Chapel Hill had bonds authorized but unissued of \$28.8 million.

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 2,952,000	\$ 1,320,471	\$ 135,000	\$ 95,344
2021	2,772,000	1,218,429	135,000	88,594
2022	2,657,000	1,119,686	135,000	81,844
2023	2,651,000	1,017,792	135,000	75,094
2024	2,640,000	919,484	135,000	68,344
2025-2029	11,541,000	3,069,249	675,000	250,595
2030-2034	7,005,000	1,118,459	675,000	147,150
2035-2038	3,310,000	244,597	540,000	43,370
	<u>\$ 35,528,000</u>	<u>\$ 10,028,167</u>	<u>\$ 2,565,000</u>	<u>\$ 850,335</u>

b. 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%; Town Operations Center pledged as collateral for the debt

\$ 14,235,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,930,000	\$ 678,331
2021	1,980,000	583,331
2022	2,010,000	484,331
2023	2,040,000	383,831
2024	1,840,000	281,831
2025-2029	3,150,000	542,112
2030-2031	1,285,000	104,202
	<u>\$ 14,235,000</u>	<u>\$ 3,057,969</u>

c. Installment Purchase

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

*Serviced by the Debt Service Fund:*

Construction and renovation of facilities:

\$2,395,000 - to renovate various municipal facilities; Bank of North Carolina direct placement installment purchase contract entered into June 2015; due in varying annual installments through 2030; interest at 2.24%; Town Hall pledged as collateral	\$ 1,915,000
\$7,984,000 - to renovate various facilities and Ephesus Fordham road reconstruction; Raymond James direct placement installment purchase contract entered into March 2016; due in varying annual installments through 2031; interest at 2.32%; Hargraves Center pledged as collateral	6,430,000
	<u>\$ 8,345,000</u>



*Serviced by the Vehicle Replacement Fund:*

## Purchase of fleet replacement vehicles:

\$431,200 - SunTrust Bank direct placement installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%; vehicles pledged as collateral for the debt	64,415
\$445,000 - Wells Fargo Bank direct placement installment purchase contract entered into June 2013 payable in annual installments of \$67,254 through 2020; interest at 1.52%; vehicles pledged as collateral for the debt	66,443
\$872,000 - SunTrust Bank direct placement installment purchase contract entered into December 2013 payable in annual installments of \$133,192 through 2020; interest at 1.81%; vehicles pledged as collateral for the debt	196,225
	<u>\$ 327,083</u>

*Serviced by the Transit Fund:*

## Purchase of fleet replacement buses:

\$6,408,000 - Pinnacle Bank direct placement installment purchase contract entered into February 2017 payable in annual installments of \$560,000 to \$705,000 through 2027; interest at 2.09%; buses pledged as collateral for the debt	<u>\$ 5,251,000</u>
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Annual debt service requirements to maturity for installment purchase payables are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	951,112	194,741	610,000	106,559
2021	762,971	175,007	622,000	93,747
2022	704,000	158,342	636,000	80,674
2023	711,000	142,139	649,000	67,308
2024	718,000	125,774	662,000	53,682
2025-2029	3,454,000	383,276	2,072,000	76,389
2030-2031	1,371,000	43,870	-	-
	<u>\$ 8,672,083</u>	<u>\$ 1,223,149</u>	<u>\$ 5,251,000</u>	<u>\$ 478,359</u>

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

Long-term debt activity for the year ended June 30, 2019 was as follows:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 38,770,000	\$ -	\$ 3,242,000	\$ 35,528,000	\$ 2,952,000
Limited obligation bonds	16,155,000	-	1,920,000	14,235,000	1,930,000
Direct placement installment notes payable	11,178,000	-	2,833,000	8,345,000	690,000
Direct placement installment notes payable - int svc funds	717,257	-	390,174	327,083	261,112
Orange County loan payable	123,146	-	-	123,146	-
Bond premium	470,234	-	23,712	446,522	-
Total pension liability for LEO	4,945,342	97,023	-	5,042,365	-
Net pension liability for LGERS	6,385,564	3,744,441	-	10,130,005	-
Net pension liability for LGERS - internal service funds	84,596	53,492	-	138,088	-
Compensated absences - governmental activities	2,812,905	2,310,084	2,434,563	2,688,426	2,434,563
Compensated absences - internal service funds	36,089	23,361	27,889	31,561	27,889
Net other postemployment liability	37,497,903	2,283,319	-	39,781,222	-
Net other postemployment liability - internal service funds	680,806	47,252	-	728,058	-
Long-term debt	<u>\$ 119,856,842</u>	<u>\$ 8,558,972</u>	<u>\$ 10,871,338</u>	<u>\$ 117,544,476</u>	<u>\$ 8,295,564</u>
Business-type activities:					
General obligation bonds	\$ 2,700,000	\$ -	\$ 135,000	\$ 2,565,000	\$ 135,000
Direct placement installment notes payable	5,848,000	-	597,000	5,251,000	610,000
Bond premium	129,554	-	6,478	123,076	-
Net pension liability for LGERS	2,710,997	1,551,268	-	4,262,265	-
Compensated absences	637,907	692,150	686,233	643,824	635,381
Net other postemployment liability	15,428,014	973,797	-	16,401,811	-
Long-term debt	<u>\$ 27,454,472</u>	<u>\$ 3,217,215</u>	<u>\$ 1,424,711</u>	<u>\$ 29,246,976</u>	<u>\$ 1,380,381</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 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, 2019, \$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, 2019, the legal debt margin for the Town was approximately \$591 million.

OWASA's long-term debt as of June 30, 2019 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, 2019	\$ 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	3,975,000
Revenue bonds payable, Series 2014 Refunding Revenue Serial Bonds, in the amount of \$15,965,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031, net of unamortized premium of \$911,828 at June 30, 2018	14,185,000
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	13,950,000
	\$ 50,185,000

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

**Notes Payable - Direct Borrowings:**

Note payable to NCDEQ in the amount of \$6,560,000 issued October 4, 2014, interest at 0%, Federal Revolving Loan, beginning May 2015, payable in annual installments of \$328,000 with a final payment due in May 2034	\$ 4,920,000
Note payable to NCDEQ in the amount of \$1,056,000 issued July 28, 2018, interest at 1.53%, DWSRF loan, beginning May 2019, payable in annual installments of \$52,800, with a final payment due in May 2038	939,131
Note payable to NCDEQ in the amount of \$3,390,000 issued June 17, 2019, interest at 1.53%, DWSRF loan, beginning November 2020, payable in annual installments, varying, with final payment due in May 2040	1,253,431
Note payable to NCDEQ in the amount of \$6,132,000 issued June 3, 2019, interest at 1.53%, Federal Revolving Loan, beginning May 2020, payable in annual installments of \$256,583 with a final payment due in May 2039	5,131,656
	\$ 12,244,218

A State Reserve loan payable to NCDEQ in the amount of \$1,071,000 was approved February 1, 2017 at an interest rate of 1.53% payable in annual installments beginning upon completion of the Wastewater Treatment Plant Intermediate Pump Station Rehabilitation project. As of June 30, 2019, no drawdowns have been made on this loan.

A State Reserve loan note payable to NCDEQ in the amount of \$1,525,000 was approved August 3, 2017 at an interest rate of 1.53% payable in annual installments beginning upon completion of the Dobbins Drive Water Main Replacement project. As of June 30, 2019, no drawdowns have been made on this loan.

A State Reserve loan note payable to NCDEQ in the amount of \$1,658,000 was issued February 1, 2017 at an interest rate of 1.53% payable in annual installments beginning upon completion of the Dobbins Drive Sewer Interceptor Rehabilitation project. As of June 30, 2019, no drawdowns have been made on this loan.

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

OWASA bond payable maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding		Interest
		Losses	Total	
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	4,415,000	275,441	4,690,441	739,250
2025-2029	22,035,000	650,881	22,685,881	1,800,788
2030-2033	6,475,000	(22,611)	6,452,389	244,300
<b>Total</b>	<b>\$ 50,185,000</b>	<b>\$ 2,743,778</b>	<b>\$ 52,928,778</b>	<b>\$ 7,116,048</b>

OWASA notes payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2020	634,011	-	634,011
2021	672,568	-	672,568
2022	689,562	-	689,562
2023	690,415	-	690,415
2024	691,281	-	691,281
2025-2029	3,469,874	-	3,469,874
2030-2034	3,493,617	-	3,493,617
2035-2039	1,829,804	-	1,829,804
2040-2044	73,086	-	73,086
<b>Total</b>	<b>\$ 12,244,218</b>	<b>\$ -</b>	<b>\$ 12,244,218</b>

### Advance Refundings:

On December 18, 2014, OWASA issued \$15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for future debt service payments of \$16,430,000 of Series 2006 revenue bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$561,010. This amount is being amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$1,984,121 and resulted in an economic gain of \$1,596,310. On June 30, 2019, \$14,825,000 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, 2019, \$4,100,000 of bonds outstanding is considered defeased.

OWASA's long-term liability activity for the year ended June 30, 2019 is as follows:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
<b>Direct Borrowings</b>	\$ 5,248,000	\$ 7,373,646	\$ 377,428	\$ 12,244,218	\$ 634,011
<b>Bonds payable:</b>					
Revenue bonds	55,125,000	-	4,940,000	50,185,000	5,130,000
For issuance premiums	4,807,515	-	736,526	4,070,989	715,149
Compensated absences	571,149	524,563	496,875	598,837	449,128
Net pension liability (LGERS)	1,941,888	1,040,619	-	2,982,507	-
OPEB	12,738,543	-	27,979	12,710,564	-
<b>Total bonds payable</b>	<b>\$ 80,432,095</b>	<b>\$ 8,938,828</b>	<b>\$ 6,578,808</b>	<b>\$ 82,792,115</b>	<b>\$ 6,928,288</b>

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$50,185,000 in revenue bonds issued in 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 \$57,301,048. Principal and interest paid in the year ended June 30, 2019 was \$6,362,502 and total customer net revenues for the year ended June 30, 2019 was \$37,843,892. There is no unused line of credit.

OWASA is in compliance with the covenants to rates, fees, rentals, and charges in the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 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, 2019, is as follows:

Operating revenues	\$ 37,843,892
Operating expenses *	<u>22,339,711</u>
Income available for debt service	<u>\$ 15,504,181</u>
Debt service, principal and interest paid	<u>\$ 6,362,502</u>
Debt service coverage ratio for parity debt	<u>243.68%</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, 2019, OWASA was in compliance with the bond covenants described above.

#### H. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current year	\$ 3,436,292
Pension deferral	8,546,452
OPEB deferral	<u>1,315,254</u>
	<u>\$ 13,297,998</u>

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

<u>Source</u>	<u>Amount</u>
Prepaid taxes (General Fund)	\$ 8,965
Pension deferral	355,560
OPEB deferral	<u>2,887,902</u>
	<u>\$ 3,252,427</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	\$ 26,258,123
Less:	
Inventories	1,528
Prepaid items	40,568
Stabilization by State Statute	7,961,838
Inspections	425,387
Parks projects	27,411
Streets projects	412,427
Public safety	139,618
Workforce development	105,457
Economic development	157,494
Appropriated in FY20 budget	3,355,766
Working capital fund balance reserve	7,592,208
Remaining fund balance	6,038,421

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	\$ 677,298
Capital Projects Ordinance Fund	1,971,721
Non-major funds	2,746,457

**J. Interfund Receivables, Payables and Transfers**

*Interfund receivables and payables.* At June 30, 2019, the statements of the Town include a net of balances due to/from other funds in the amount of \$2,483,529 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	280,480
General fund	Parking facility fund	448,049
Debt service fund	Parking facility fund	1,755,000
		\$ 2,483,529

Between governmental funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Fund - Grants Fund	44,160
General Fund	Nonmajor Fund - Housing Grants Fund	25,486
General Fund	Nonmajor Fund - Transit Grants Fund	182,763
		\$ 252,409

*Interfund transfers.* A schedule of interfund transfers for the year ended June 30, 2019 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater Fund	\$ (10,245)
From Parking Fund to Debt Service Fund	914,631
From Transit Fund to Nonmajor Fund	456,272
Total transfers to governmental funds from proprietary funds	\$ 1,360,658

Transfers between governmental funds:

From Nonmajor Fund to General Fund	45,000
From General Fund to Nonmajor Fund	1,318,354
From General Fund to Debt Service Fund	445,100
From General Fund to Capital Projects Ordinance Fund	400,000

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 \$10,245 from the General Fund to the Stormwater Fund is to pay the of stormwater fee exemption. The transfer from the Parking Fund to the Debt Service Fund represents debt repayment for the 140 West and Rosemary Garage. Transit made a transfer of matching funds to the Transit Grants Fund for transit capital grants. The Library Gift Fund transfers \$45,000 annually to the General Fund to help offset the cost of book purchases. The General Fund transferred funds to the 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 funds that were set aside for the Rogers Road project.



## **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](http://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, 2019, was 8.5% of compensation for law enforcement officers and 7.75% 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 7.75%. The Town's contributions to the pension for the year ended June 30, 2019, were \$3,226,999 and OWASA's contributions were \$655,451.

*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, 2019, the Town reported a liability of \$14,530,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 (measurement date), the Town's proportion was 0.61249%, which was an increase of 0.01152% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,225,917. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,241,689	\$ 75,220
Changes of assumptions	3,855,796	-
Net difference between projected and actual earnings on pension plan investments	1,994,586	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,059	73,994
Town contributions subsequent to measurement date	3,226,999	-
Total	<u>\$ 11,347,129</u>	<u>\$ 149,214</u>

\$3,226,999 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, 2020. 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:**

2020	\$	3,857,242
2021		2,512,023
2022		456,836
2023		1,144,815
2024		-
Thereafter		-
	\$	<u>7,970,916</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 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 8.10%, including inflation and a productivity factor, (c) investment rate of return of 7.00%, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2017 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, 2018 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 34,903,178	\$ 14,530,358	\$ (2,493,490)

*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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	23
Terminated plan members entitled to but not yet receiving benefits	0
Active Plan members	105
	<hr/>
	128
	<hr/> <hr/>

### Summary of Significant Accounting Policies:

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

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

*Actuarial Assumptions.* The entry age normal actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 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 3.64%. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017. 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 \$388,871 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, 2019, the Town reported a total pension liability of \$5,042,365. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$377,644.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 270,605	\$ 20,353
Changes of assumptions	155,717	185,993
Town benefit payments and plan administrative expense made subsequent to the measurement date	209,293	-
Total	<u>\$ 635,615</u>	<u>\$ 206,346</u>

\$209,293 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as:

**Year ended June 30:**

2020	\$ 54,668
2021	54,668
2022	60,732
2023	41,270
2024	8,638
Thereafter	-
	<u>\$ 219,976</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 3.64%, 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 (2.64%) or one percentage point higher (4.64%) than the current rate:

	<u>1% Decrease (2.64%)</u>	<u>Discount Rate (3.64%)</u>	<u>1% Increase (4.64%)</u>
Total pension liability	\$ 5,405,921	\$ 5,042,365	\$ 4,706,970

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

	<b>2019</b>
<b>Total Pension Liability as of December 31, 2017</b>	\$ 4,945,342
Changes for the year:	
Service Cost at End of Year	172,847
Interest on the total pension liability	150,129
Changes in benefit terms	-
Differences between expected and actuarial experience in the measurement of the total pension liability	333,831
Changes of assumptions and other inputs	(170,913)
Benefit payments	(388,871)
Other changes	-
<b>Net Changes</b>	<u>97,023</u>
<b>Total Pension Liability as of December 31, 2018</b>	<u>\$ 5,042,365</u>

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 4,225,917	\$ 377,644	\$ 4,603,561
Pension Liability	14,530,358	5,042,365	19,572,723
Proportionate Share of the Net Pension Liability	0.61249%	n/a	

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>			
Differences between expected and actual experience	\$ 2,241,689	\$ 270,605	\$ 2,512,294
Changes of assumptions	3,855,796	155,717	4,011,513
Net difference between projected and actual earnings on plan investments	1,994,586	-	1,994,586
Changes in proportion and differences between Town contributions and proportionate share of contributions	28,059	-	28,059
Benefit payments and administrative costs paid subsequent to the measurement date	3,226,999	209,293	3,436,292
<b><u>Deferred Inflows of Resources</u></b>			
Differences between expected and actual experience	\$ 75,220	\$ 20,353	\$ 95,573
Changes of assumptions	-	185,993	185,993
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	73,994	-	73,994

### 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. The law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$515,285, which consisted of \$313,897 from the Town and \$201,388 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, 2019 were \$2,500,257, which consisted of \$1,702,553 from the Town and \$797,704 from employees. No amounts were forfeited.

**L. Other Post-Employment Benefits**

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

*Plan membership.* Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	264
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	369
	<u>633</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, 2019, 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, 2019, the Town made payments for post-retirement health benefit premiums of \$1,794,515 and the retirees made payments of \$122,195 for dependent care and for the employee's share of coverage according to the schedule above. For the fiscal year ended June 30, 2019, 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, 2019:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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, 2019, 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, 2019 were as follows:

Total OPEB Liability	\$	62,279,462
Plan fiduciary net position		<u>5,368,371</u>
Town's net OPEB liability	\$	<u><u>56,911,091</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		8.62%

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: (a) inflation rate of 2.50 percent, (b) salary increases of 3.50% 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 7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028 for pre-medicare, 5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022 for medicare and 2.50% for vision.

The total OPEB liability was rolled forward to June 30, 2019, 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, 2018 valuation was 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%. However, because the OPEB plan's fiduciary net position was not projected to be sufficient to make all future benefit payments, the discount rate incorporates a municipal bond rate which was 3.50% at June 30 2019 per the S&P Municipal Bond 20 Year High Grade Rate Index. 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, 2019 and will increase the contribution amount to the trust until the trust is fully funded.

*Sensitivity of the net OPEB liability to changes in the discount rate.* At June 30 2019, 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:

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
Net OPEB liability	\$ 66,029,959	\$ 56,911,091	\$ 49,492,259

*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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 48,475,084	\$ 56,911,091	\$ 67,400,214

*Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2019, the Town reported a net OPEB liability of \$56,911,091. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2019, the components of the net OPEB liability of the Town, measured as of June 30, 2018, were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB</u> <u>Liability</u> <u>(a)</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net OPEB</u> <u>Liability</u> <u>(a)-(b)</u>
Balances at June 30, 2018	\$ 58,034,781	\$ 4,428,058	\$ 53,606,723
Changes for the Year:			
Service Cost	1,163,364	-	1,163,364
Interest	3,846,813	-	3,846,813
Difference between Expected and Actual experience	814,769	-	814,769
Changes of assumptions	544,350	-	544,350
Contributions	-	2,964,615	(2,964,615)
Net Investment Income		100,313	(100,313)
Benefit Payments	(2,124,615)	(2,124,615)	-
Net Changes	4,244,681	940,313	3,304,368
Balances at June 30, 2019	<u>\$ 62,279,462</u>	<u>\$ 5,368,371</u>	<u>\$ 56,911,091</u>

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$4,233,839. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 705,796	\$ -
Changes of assumptions	428,284	2,841,620
Net difference between projected and actual earnings on plan investments	181,174	46,282
Total	<u>\$ 1,315,254</u>	<u>\$ 2,887,902</u>

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

**Year Ended June 30:**

2020	\$ (449,557)
2021	(449,557)
2022	(449,558)
2023	(223,976)
2024	-
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, 2019 for the following:

Vehicle/Bus/Truck Purchases	\$ 3,076,412
Streets, Paving, Drainage and Sidewalks	1,407,176
Affordable Housing Projects	827,369
Transit Projects	663,904
Miscellaneous Projects	644,296
Parks & Recreation Projects	428,101
Bolin Creek Trail	343,761
Multi-Agency Complex Project	151,348
Library Projects	47,663
Ephesus - Fordham Project	46,852
Technology Projects	21,137
Workforce Development Projects	13,300
	\$ 7,671,319

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 \$22,059,478 at June 30, 2019.

#### **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 \$1,000,000 for general liability per occurrence with a \$2,000,000 aggregate.

The Town maintains excess liability coverage in the amount of \$10,000,000, and \$1,000,000 for automobile liability with \$500,000 uninsured motorist, and \$1,000,000 for crime, law enforcement liability, cyber liability, public officials' and employment liability. The Town is insured for property damages with replacement cost coverage for all scheduled properties with a \$10,000 deductible and a \$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 \$2,417,900 in values which are related to these ten structures.

In accordance with G.S. §159-29, the Town's employees who have access to \$100 or more at any given time or access to inventory are covered through the Blanket Employee Theft coverage which is under the Town's Crime Policy. This policy limit is \$1,000,000 per occurrence with a \$25,000 deductible. The Town does not appoint a tax collector as taxes are collected by Orange and Durham Counties. The Finance Officer 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, 2019 for outstanding claims and incurred but not reported claims are not considered material and, therefore, no provision is recorded within the financial statements. The amount of settlements has not exceeded insurance coverage in any of the past three years.

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

**Exhibit 14**

	2019	2018	2017	2016	2015	2014
Chapel Hill's proportion of the net pension liability (asset) (%)	0.61249%	0.60097%	0.59862%	0.60393%	0.60203%	0.60950%
Chapel Hill's proportion of the net pension liability (asset) (\$)	\$ 14,530,358	\$ 9,181,157	\$ 12,704,722	\$ 2,710,402	\$ (3,550,448)	\$ 7,346,815
Chapel Hill's covered payroll	\$ 40,092,466	\$ 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	36.24%	23.99%	34.68%	7.81%	-10.60%	22.63%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	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 Six Fiscal Years\***

**Exhibit 15**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,226,999	\$ 3,054,299	\$ 2,827,073	\$ 2,483,084	\$ 2,451,541	\$ 2,360,129
Contributions in relation to the contractually required contribution	<u>3,226,999</u>	<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>	<u>\$ -</u>
Chapel Hill's covered payroll	\$ 41,035,819	\$ 40,092,466	\$ 38,271,235	\$ 36,637,712	\$ 34,697,974	\$ 33,509,249
Contributions as a percentage of covered payroll	7.86%	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 Three Fiscal Years \*\***

**Exhibit 16**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 4,945,342	\$ 4,798,949	\$ 4,897,799
Service Cost	172,847	143,418	171,252
Interest on the total pension liability	150,129	177,648	168,819
Changes of benefit items	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	333,831	(32,879)	-
Changes of assumptions or other inputs	(170,913)	251,543	(100,964)
Benefit payments	(388,871)	(393,337)	(337,957)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 5,042,365</u>	<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**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**  
**Last Three Fiscal Years \*\***

**Exhibit 17**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 5,042,365	\$ 4,945,342	\$ 4,798,949
Covered payroll	6,319,119	5,958,879	6,658,279
Total pension liability as a percentage of covered payroll	79.80%	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**  
**Last Three Fiscal Years \*\***

Exhibit 18

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 1,163,364	\$ 1,324,222	\$ 1,246,561
Interest	3,846,813	3,636,345	3,457,733
Changes of benefit terms	-	-	-
Differences between expected and actual experience	814,769	100,626	-
Changes of assumptions	544,350	(4,415,924)	-
Benefit payments	<u>(2,124,615)</u>	<u>(1,928,442)</u>	<u>(1,775,352)</u>
<b>Net change in total OPEB liability</b>	<b>\$ 4,244,681</b>	<b>\$ (1,283,173)</b>	<b>\$ 2,928,942</b>
<b>Total OPEB liability - beginning</b>	<b>58,034,781</b>	<b>59,317,954</b>	<b>56,389,012</b>
<b>Total OPEB liability - ending</b>	<b><u>\$ 62,279,462</u></b>	<b><u>\$ 58,034,781</u></b>	<b><u>\$ 59,317,954</u></b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 2,964,615	\$ 2,768,442	\$ 4,733,352
Net investment income	100,313	325,262	306,647
Benefit payments	(2,124,615)	(1,928,442)	(1,775,352)
Administrative expense	<u>-</u>	<u>-</u>	<u>(1,851)</u>
<b>Net change in plan fiduciary net position</b>	<b>\$ 940,313</b>	<b>\$ 1,165,262</b>	<b>\$ 3,262,796</b>
<b>Plan fiduciary net position - beginning</b>	<b>4,428,058</b>	<b>3,262,796</b>	<b>-</b>
<b>Plan fiduciary net position - ending</b>	<b><u>\$ 5,368,371</u></b>	<b><u>\$ 4,428,058</u></b>	<b><u>\$ 3,262,796</u></b>
<b>Town's net OPEB liability - ending</b>	<b><u>\$ 56,911,091</u></b>	<b><u>\$ 53,606,723</u></b>	<b><u>\$ 56,055,158</u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>8.62%</b>	<b>7.63%</b>	<b>5.50%</b>
<b>Covered payroll</b>	<b>\$ 22,647,789</b>	<b>\$ 25,569,357</b>	<b>\$ 25,569,357</b>
<b>Town's net OPEB liability as a percentage of covered payroll</b>	<b>251.29%</b>	<b>209.65%</b>	<b>219.23%</b>

\* 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  
Last Three Fiscal Years \*\***

**Exhibit 19**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 5,418,919	\$ 5,418,919	\$ 6,484,071
Contributions in relation to the actuarially determined contribution	<u>2,964,615</u>	<u>2,768,442</u>	<u>4,733,352</u>
Contribution deficiency (excess)	<u>\$ 2,454,304</u>	<u>\$ 2,650,477</u>	<u>\$ 1,750,719</u>
Covered payroll	\$ 22,647,789	\$ 25,569,537	\$ 25,569,357
Contributions as a percentage of covered payroll	13.09%	10.83%	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 - 7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028 Medicare - 5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022 Vision - 2.50%
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 2019 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.
Mortality	In the 2019 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.

\*\* 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 INVESTMENT RETURNS - OPEB  
Last Three Fiscal Years \*\***

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**Exhibit 20**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.75%	6.75%	6.23%

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

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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, 2019 (With Comparative Totals as of June 30, 2018)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 841,277	\$ 2,601,789	\$ 3,443,066	\$ 3,449,674
Receivables:				
Governmental units and agencies	200,592	200,343	400,935	367,367
Property taxes, net	-	1,507	1,507	4,520
Other	-	16,991	16,991	16,991
Inventories	-	16,538	16,538	16,538
Prepaid items	-	-	-	399
Restricted cash and cash equivalents	257,152	318,617	575,769	776,932
<b>TOTAL ASSETS</b>	<b>\$ 1,299,021</b>	<b>\$ 3,155,785</b>	<b>\$ 4,454,806</b>	<b>\$ 4,632,421</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to other funds	\$ 208,249	\$ 44,160	\$ 252,409	\$ 119,482
Accounts payable	66,729	192,222	258,951	195,393
Accrued liabilities	-	7,776	7,776	6,867
Unearned revenue	5,655	58,166	63,821	171,957
Accounts payable from restricted assets	17,387	76,020	93,407	142,933
Other payables from restricted assets	1,347	26,832	28,179	21,459
<b>Total liabilities</b>	<b>299,367</b>	<b>405,176</b>	<b>704,543</b>	<b>658,091</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	-	1,507	1,507	4,520
<b>FUND BALANCES</b>				
<b>Nonspendable</b>				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	-	-	-	399
<b>Restricted</b>				
Stabilization by State Statute	2,158,032	1,006,351	3,164,383	1,654,905
Public housing	32,929	113,836	146,765	300,117
Public safety	-	31,109	31,109	38,881
Library	-	143,838	143,838	246,615
Transit capital purchases	5,682	-	5,682	12,377
Infrastructure capital projects	217,195	-	217,195	216,186
<b>Committed</b>				
Municipal buildings capital projects	47,375	-	47,375	98,729
Infrastructure capital projects	-	-	-	-
Parks capital projects	53,791	-	53,791	18,103
Technology capital projects	-	-	-	23,384
Fire capital projects	4,825	-	4,825	-
Public housing	-	2,310,074	2,310,074	2,087,281
Economic development	-	133,707	133,707	114,945
<b>Assigned</b>				
Municipal buildings capital projects	394,122	-	394,122	217,982
Parks capital projects	102,448	-	102,448	358,174
Technology capital projects	41,916	-	41,916	56,616
Fire capital projects	17,762	-	17,762	154,700
Unassigned	(2,076,423)	(1,006,351)	(3,082,774)	(1,646,122)
<b>Total fund balances</b>	<b>999,654</b>	<b>2,749,102</b>	<b>3,748,756</b>	<b>3,969,810</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,299,021</b>	<b>\$ 3,155,785</b>	<b>\$ 4,454,806</b>	<b>\$ 4,632,421</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

**JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)**

	<b>Community Development Entitlement</b>	<b>Affordable Housing</b>	<b>Transitional Housing</b>	<b>Land Trust Fund</b>	<b>Grants Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 1,293,346	\$ 39,434	\$ 30,767	\$ -
Receivables:					
Governmental units and agencies	38,941	-	-	-	143,027
Property taxes, net	-	-	-	-	-
Other	-	-	-	-	-
Inventories	-	-	-	16,538	-
Prepaid items	-	-	-	-	-
Restricted cash and cash equivalents	127,686	-	26,832	-	-
<b>TOTAL ASSETS</b>	<b>\$ 166,627</b>	<b>\$ 1,293,346</b>	<b>\$ 66,266</b>	<b>\$ 47,305</b>	<b>\$ 143,027</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 44,160
Accounts payable	-	112,000	193	-	-
Accrued liabilities	1,522	-	-	-	5,102
Unearned revenue	-	-	-	-	58,166
Accounts payable from restricted assets	51,269	-	-	-	4,490
Other payables from restricted assets	-	-	26,832	-	-
<b>Total liabilities</b>	<b>52,791</b>	<b>112,000</b>	<b>27,025</b>	<b>-</b>	<b>111,918</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	-	-	-	-	-
<b>FUND BALANCES</b>					
<b>Nonspendable</b>					
Inventories	-	-	-	16,538	-
Prepaid expenses	-	-	-	-	-
<b>Restricted</b>					
Stabilization by State Statute	38,941	305,950	-	-	163,902
Public housing	113,836	-	-	-	-
Public safety	-	-	-	-	31,109
Library	-	-	-	-	-
<b>Committed</b>					
Public housing	-	1,181,346	39,241	30,767	-
Economic development	-	-	-	-	-
Unassigned	(38,941)	(305,950)	-	-	(163,902)
<b>Total fund balances</b>	<b>113,836</b>	<b>1,181,346</b>	<b>39,241</b>	<b>47,305</b>	<b>31,109</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 166,627</b>	<b>\$ 1,293,346</b>	<b>\$ 66,266</b>	<b>\$ 47,305</b>	<b>\$ 143,027</b>

## OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Downtown Service District	Affordable Housing Development Reserve Fund	Library Gift Fund	Comparative Totals	
				2019	2018
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104,429	\$ 1,133,813	\$ -	\$ 2,601,789	\$ 2,325,155
Receivables:					
Governmental units and agencies	18,375	-	-	200,343	260,484
Property taxes, net	1,507	-	-	1,507	4,520
Other	16,991	-	-	16,991	16,991
Inventories	-	-	-	16,538	16,538
Prepaid items	-	-	-	-	399
Restricted cash and cash equivalents	-	-	164,099	318,617	362,098
<b>TOTAL ASSETS</b>	<b>\$ 141,302</b>	<b>\$ 1,133,813</b>	<b>\$ 164,099</b>	<b>\$ 3,155,785</b>	<b>\$ 2,986,185</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 44,160	\$ 33,791
Accounts payable	4,936	75,093	-	192,222	138,778
Accrued liabilities	1,152	-	-	7,776	6,867
Unearned revenue	-	-	-	58,166	90,131
Accounts payable from restricted assets	-	-	20,261	76,020	72,144
Other payables from restricted assets	-	-	-	26,832	21,459
Total liabilities	6,088	75,093	20,261	405,176	363,170
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes receivable	1,507	-	-	1,507	4,520
<b>FUND BALANCES</b>					
Nonspendable					
Inventories	-	-	-	16,538	16,538
Prepaid expenses	-	-	-	-	399
Restricted					
Stabilization by State Statute	35,366	462,192	-	1,006,351	1,026,073
Public housing	-	-	-	113,836	113,836
Public safety	-	-	-	31,109	38,881
Library	-	-	143,838	143,838	246,615
Committed					
Public housing	-	1,058,720	-	2,310,074	2,087,281
Economic development	133,707	-	-	133,707	114,945
Unassigned	(35,366)	(462,192)	-	(1,006,351)	(1,026,073)
Total fund balances	133,707	1,058,720	143,838	2,749,102	2,618,495
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 141,302</b>	<b>\$ 1,133,813</b>	<b>\$ 164,099</b>	<b>\$ 3,155,785</b>	<b>\$ 2,986,185</b>

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2019	2018
<b>ASSETS</b>						
Cash and cash equivalents	\$ 841,277	\$ -	\$ -	\$ -	\$ 841,277	\$ 1,124,519
Due from governmental units and agencies	881	-	194,463	5,248	200,592	106,883
Restricted cash and cash equivalents	1,347	217,195	5,681	32,929	257,152	414,834
<b>TOTAL ASSETS</b>	<b>\$ 843,505</b>	<b>\$ 217,195</b>	<b>\$ 200,144</b>	<b>\$ 38,177</b>	<b>\$ 1,299,021</b>	<b>\$ 1,646,236</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ 182,763	\$ 25,486	\$ 208,249	\$ 85,691
Accounts payable	66,729	-	-	-	66,729	56,615
Unearned revenue	-	-	5,655	-	5,655	81,826
Accounts payable from restricted assets	-	-	11,726	5,661	17,387	70,789
Other payables from restricted assets	1,347	-	-	-	1,347	-
<b>Total liabilities</b>	<b>68,076</b>	<b>-</b>	<b>200,144</b>	<b>31,147</b>	<b>299,367</b>	<b>294,921</b>
<b>FUND BALANCES</b>						
Restricted						
Stabilization by State Statute	113,190	-	2,039,479	5,363	2,158,032	628,832
Public housing	-	-	-	32,929	32,929	186,281
Transit capital purchases	-	-	5,682	-	5,682	12,377
Infrastructure capital projects	-	217,195	-	-	217,195	216,186
Committed						
Municipal buildings capital projects	47,375	-	-	-	47,375	98,729
Parks capital projects	53,791	-	-	-	53,791	18,103
Technology capital projects	-	-	-	-	-	23,384
Fire capital projects	4,825	-	-	-	4,825	-
Assigned						
Municipal buildings capital projects	394,122	-	-	-	394,122	217,982
Parks capital projects	102,448	-	-	-	102,448	358,174
Technology capital projects	41,916	-	-	-	41,916	56,616
Fire capital projects	17,762	-	-	-	17,762	154,700
Unassigned	-	-	(2,045,161)	(31,262)	(2,076,423)	(620,049)
<b>Total fund balances</b>	<b>775,429</b>	<b>217,195</b>	<b>-</b>	<b>7,030</b>	<b>999,654</b>	<b>1,351,315</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 843,505</b>	<b>\$ 217,195</b>	<b>\$ 200,144</b>	<b>\$ 38,177</b>	<b>\$ 1,299,021</b>	<b>\$ 1,646,236</b>

## OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2019	2018
<b>REVENUES</b>				
Taxes	\$ -	\$ 375,816	\$ 375,816	\$ 311,950
Intergovernmental revenues				
Federal government	2,833,073	702,883	3,535,956	1,601,923
State government	177,429	28,406	205,835	29,768
Other	5,968	147,027	152,995	2,937,712
Interest on investments	4,604	7,704	12,308	12,675
Franchise rental fees	64,118	-	64,118	59,650
Program income	33,707	42,861	76,568	73,700
Donations	-	153,185	153,185	173,916
Revenue in lieu	-	271,016	271,016	752,276
Other	210,185	63	210,248	1,184
<b>Total revenues</b>	<b>3,329,084</b>	<b>1,728,961</b>	<b>5,058,045</b>	<b>5,954,754</b>
<b>EXPENDITURES</b>				
Environment and development	-	1,911,085	1,911,085	2,689,943
Public safety	-	64,072	64,072	61,781
Leisure activities	-	329,560	329,560	255,970
Capital projects	4,704,008	-	4,704,008	5,556,270
<b>Total expenditures</b>	<b>4,704,008</b>	<b>2,304,717</b>	<b>7,008,725</b>	<b>8,563,964</b>
<b>(DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(1,374,924)	(575,756)	(1,950,680)	(2,609,210)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from other funds	1,023,263	751,363	1,774,626	1,896,889
Transfer to other funds	-	(45,000)	(45,000)	(860,709)
<b>Total other financing sources (uses)</b>	<b>1,023,263</b>	<b>706,363</b>	<b>1,729,626</b>	<b>1,036,180</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>(351,661)</b>	<b>130,607</b>	<b>(221,054)</b>	<b>(1,573,030)</b>
<b>FUND BALANCES, BEGINNING</b>	<b>1,351,315</b>	<b>2,618,495</b>	<b>3,969,810</b>	<b>5,542,840</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 999,654</b>	<b>\$ 2,749,102</b>	<b>\$ 3,748,756</b>	<b>\$ 3,969,810</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)**

	<b>Community Development Entitlement</b>	<b>Affordable Housing</b>	<b>Transitional Housing</b>	<b>Land Trust Fund</b>	<b>Grants Fund</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues					
Federal government	360,165	-	-	-	250,176
State government	-	-	-	-	28,406
Other	-	-	-	-	48,527
Interest on investments	-	5,733	273	141	-
Program income	21,777	-	21,084	-	-
Donations	-	-	-	-	-
Revenue in lieu	-	271,016	-	-	-
Other	-	-	63	-	-
Total revenues	<u>381,942</u>	<u>276,749</u>	<u>21,420</u>	<u>141</u>	<u>327,109</u>
<b>EXPENDITURES</b>					
Environment and development	381,942	294,753	9,431	-	333,777
Public safety	-	-	-	-	64,072
Leisure activities	-	-	-	-	-
Total expenditures	<u>381,942</u>	<u>294,753</u>	<u>9,431</u>	<u>-</u>	<u>397,849</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(18,004)</u>	<u>11,989</u>	<u>141</u>	<u>(70,740)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	-	-	-	62,968
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,968</u>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<u>-</u>	<u>(18,004)</u>	<u>11,989</u>	<u>141</u>	<u>(7,772)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>113,836</u>	<u>1,199,350</u>	<u>27,252</u>	<u>47,164</u>	<u>38,881</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 113,836</u>	<u>\$ 1,181,346</u>	<u>\$ 39,241</u>	<u>\$ 47,305</u>	<u>\$ 31,109</u>



## OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Affordable			Comparative Totals	
	Downtown Service District	Housing Development Reserve Fund	Library Gift Fund	2019	2018
<b>REVENUES</b>					
Taxes	\$ 375,816	\$ -	\$ -	\$ 375,816	\$ 311,950
Intergovernmental revenues					
Federal government	-	-	92,542	702,883	987,698
State government	-	-	-	28,406	29,768
Other	73,500	-	25,000	147,027	123,568
Interest on investments	501	-	1,056	7,704	4,565
Program income	-	-	-	42,861	51,110
Donations	-	-	153,185	153,185	173,916
Revenue in lieu	-	-	-	271,016	695,000
Other	-	-	-	63	25
Total revenues	449,817	-	271,783	1,728,961	2,377,600
<b>EXPENDITURES</b>					
Environment and development	431,055	460,127	-	1,911,085	2,689,943
Public safety	-	-	-	64,072	61,781
Leisure activities	-	-	329,560	329,560	255,970
Total expenditures	431,055	460,127	329,560	2,304,717	3,007,694
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	18,762	(460,127)	(57,777)	(575,756)	(630,094)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	-	688,395	-	751,363	784,418
Transfers to other funds	-	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	-	688,395	(45,000)	706,363	739,418
<b>NET CHANGE IN TOTAL FUND BALANCES</b>					
	18,762	228,268	(102,777)	130,607	109,324
<b>FUND BALANCES, BEGINNING</b>					
	114,945	830,452	246,615	2,618,495	2,509,171
<b>FUND BALANCES, ENDING</b>					
	\$ 133,707	\$ 1,058,720	\$ 143,838	\$ 2,749,102	\$ 2,618,495

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2019	2018
<b>REVENUES</b>						
Intergovernmental revenues						
Federal government	\$ -	\$ -	\$ 2,145,528	\$ 687,545	\$ 2,833,073	\$ 614,225
State government	-	-	177,429	-	177,429	-
Other	-	-	5,968	-	5,968	2,814,144
Interest on investments	3,595	1,009	-	-	4,604	8,110
Franchise rental fees	64,118	-	-	-	64,118	59,650
Program income	33,707	-	-	-	33,707	22,590
Revenue in lieu	-	-	-	-	-	57,276
Other	210,000	-	-	185	210,185	1,159
<b>Total revenues</b>	<b>311,420</b>	<b>1,009</b>	<b>2,328,925</b>	<b>687,730</b>	<b>3,329,084</b>	<b>3,577,154</b>
<b>EXPENDITURES</b>						
Capital projects:						
Municipal facilities	503,930	-	-	688,378	1,192,308	420,201
Street improvements and sidewalks	53,250	-	-	-	53,250	19,346
Parks, recreation and open space	138,150	-	-	-	138,150	291,379
Technology and communications	38,084	-	-	-	38,084	-
Public safety	497,019	-	-	-	497,019	1,470,027
Transit equipment and improvements	-	-	2,785,197	-	2,785,197	3,355,317
<b>Total expenditures</b>	<b>1,230,433</b>	<b>-</b>	<b>2,785,197</b>	<b>688,378</b>	<b>4,704,008</b>	<b>5,556,270</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(919,013)</b>	<b>1,009</b>	<b>(456,272)</b>	<b>(648)</b>	<b>(1,374,924)</b>	<b>(1,979,116)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer from other funds	566,991	-	456,272	-	1,023,263	1,112,471
Transfer to other funds	-	-	-	-	-	(815,709)
<b>Total other financing sources (uses)</b>	<b>566,991</b>	<b>-</b>	<b>456,272</b>	<b>-</b>	<b>1,023,263</b>	<b>296,762</b>
<b>NET CHANGE IN TOTAL FUND BALANCES</b>	<b>(352,022)</b>	<b>1,009</b>	<b>-</b>	<b>(648)</b>	<b>(351,661)</b>	<b>(1,682,354)</b>
<b>FUND BALANCES, BEGINNING</b>	<b>1,127,451</b>	<b>216,186</b>	<b>-</b>	<b>7,678</b>	<b>1,351,315</b>	<b>3,033,669</b>
<b>FUND BALANCES, ENDING</b>	<b>\$ 775,429</b>	<b>\$ 217,195</b>	<b>\$ -</b>	<b>\$ 7,030</b>	<b>\$ 999,654</b>	<b>\$ 1,351,315</b>

## 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, 2019 (With Comparative Totals as of June 30, 2018)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2019	2018
<b>ASSETS</b>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 753,109	\$ 606,452	\$ 245,094	\$ 1,604,655	\$ 2,644,994
Accounts receivable	-	11,598	-	11,598	14,065
Inventories	-	50,869	-	50,869	63,720
Total current assets	753,109	668,919	245,094	1,667,122	2,722,779
NONCURRENT ASSETS					
Capital assets, net of depreciation	3,390,179	21,744	-	3,411,923	3,522,130
Total noncurrent assets	3,390,179	21,744	-	3,411,923	3,522,130
TOTAL ASSETS	4,143,288	690,663	245,094	5,079,045	6,244,909
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension and OPEB deferrals	-	161,886	-	161,886	116,854
<b>LIABILITIES</b>					
CURRENT LIABILITIES					
Accounts payable	2,088	137,679	315	140,082	237,023
Accrued liabilities	-	13,690	-	13,690	11,523
Compensated absences	-	27,889	-	27,889	26,266
Installment purchase agreements	261,112	-	-	261,112	390,167
Total current liabilities	263,200	179,258	315	442,773	664,979
NONCURRENT LIABILITIES					
Compensated absences	-	3,672	-	3,672	9,823
Net other postemployment liability	-	728,058	-	728,058	680,806
Net pension liability	-	138,088	-	138,088	84,596
Installment purchase agreements	65,971	-	-	65,971	327,090
Total noncurrent liabilities	65,971	869,818	-	935,789	1,102,315
TOTAL LIABILITIES	329,171	1,049,076	315	1,378,562	1,767,294
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension and OPEB deferrals	-	43,792	-	43,792	61,154
<b>NET POSITION</b>					
Net investment in capital assets	3,063,096	21,744	-	3,084,840	2,804,873
Unrestricted	751,021	(262,063)	244,779	733,737	1,728,442
TOTAL NET POSITION	\$ 3,814,117	\$ (240,319)	\$ 244,779	\$ 3,818,577	\$ 4,533,315

## INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)**

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2019	2018
<b>OPERATING REVENUES</b>					
Charges for services	\$ 387,129	\$ 1,414,912	\$ -	\$ 1,802,041	\$ 2,209,345
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	1,031,581	4,832	-	1,036,413	1,163,833
Personnel	-	669,303	-	669,303	590,790
Operations	9,561	835,100	143,082	987,743	885,620
Total operating expenses	1,041,142	1,509,235	143,082	2,693,459	2,640,243
OPERATING LOSS	(654,013)	(94,323)	(143,082)	(891,418)	(430,898)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Insurance recovery	38,200	18,000	-	56,200	51,671
Interest on investments	5,080	2,972	1,361	9,413	7,976
Interest expense	(10,456)	-	-	(10,456)	(21,382)
Gain on sale of capital assets	121,523	-	-	121,523	85,294
Total nonoperating revenues (expenses), net	154,347	20,972	1,361	176,680	123,559
CHANGE IN NET POSITION	(499,666)	(73,351)	(141,721)	(714,738)	(307,339)
NET POSITION, BEGINNING	4,313,783	(166,968)	386,500	4,533,315	4,840,654
NET POSITION, ENDING	\$ 3,814,117	\$ (240,319)	\$ 244,779	\$ 3,818,577	\$ 4,533,315

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 387,129	\$ 1,417,379	\$ -	\$ 1,804,508	\$ 2,213,877
Payments to employees	-	(633,314)	-	(633,314)	(615,844)
Payments to suppliers	(7,473)	(860,381)	(203,979)	(1,071,833)	(967,422)
Net cash provided by (used in) operating activities	379,656	(76,316)	(203,979)	99,361	630,611
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on installment purchase agreements	(390,174)	-	-	(390,174)	(629,012)
Interest paid on installment purchase agreements	(10,456)	-	-	(10,456)	(21,382)
Proceeds from sale of capital assets	121,523	-	-	121,523	85,294
Proceeds from insurance recovery	38,200	18,000	-	56,200	51,671
Acquisition and construction of capital assets	(926,206)	-	-	(926,206)	(600,152)
Net cash provided by (used in) capital and related financing activities	(1,167,113)	18,000	-	(1,149,113)	(1,113,581)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	5,080	2,972	1,361	9,413	7,976
Net cash provided by investing activities	5,080	2,972	1,361	9,413	7,976

Continued

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019 (With Comparative Totals as of June 30, 2018)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2019	2018
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(782,377)	(55,344)	(202,618)	(1,040,339)	(474,994)
CASH AND INVESTMENTS, BEGINNING	1,535,486	661,796	447,712	2,644,994	3,119,988
CASH AND INVESTMENTS, ENDING	<u>\$ 753,109</u>	<u>\$ 606,452</u>	<u>\$ 245,094</u>	<u>\$ 1,604,655</u>	<u>\$ 2,644,994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ (654,013)	\$ (94,323)	\$ (143,082)	\$ (891,418)	\$ (430,898)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,031,581	4,832	-	1,036,413	1,163,833
Changes in assets and liabilities:					
Receivables	-	2,467	-	2,467	4,532
Inventories	-	12,851	-	12,851	(2,986)
Accounts payable	2,088	(38,132)	(60,897)	(96,941)	(78,816)
Accrued liabilities	-	2,167	-	2,167	996
Compensated absences	-	(4,528)	-	(4,528)	4,471
Accrued OPEB liability	-	47,252	-	47,252	(31,095)
Deferred outflows of resources for pensions	-	(8,902)	-	(8,902)	574
Net cash provided (used) by operating activities	<u>\$ 379,656</u>	<u>\$ (76,316)</u>	<u>\$ (203,979)</u>	<u>\$ 99,361</u>	<u>\$ 630,611</u>

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## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Ad valorem taxes - current year	\$ 31,630,000	\$ 31,630,000	\$ 31,587,145	\$ (42,855)
Ad valorem taxes - prior years	91,000	91,000	107,852	16,852
Interest on delinquent taxes	50,000	50,000	80,385	30,385
Interest on state held taxes	-	-	3,711	3,711
Local option sales taxes	13,853,827	13,853,827	14,048,261	194,434
Occupancy tax	1,275,000	1,275,000	1,349,003	74,003
Other taxes	82,500	82,500	88,524	6,024
Total taxes	46,982,327	46,982,327	47,264,881	282,554
Licenses and permits				
Motor vehicles	450,000	450,000	442,346	(7,654)
Privilege licenses	5,000	5,000	4,900	(100)
Building permits	1,642,080	1,642,080	2,366,172	724,092
Special use permits	137,000	137,000	107,225	(29,775)
Work zone traffic permits	35,000	35,000	43,800	8,800
Engineering permits	58,000	58,000	27,436	(30,564)
Fire inspection fees	95,000	95,000	120,563	25,563
Traffic impact study and fees	102,000	102,000	52,579	(49,421)
Police permits	50,000	50,000	43,391	(6,609)
Fire permits	31,000	31,000	37,703	6,703
Total licenses and permits	2,605,080	2,605,080	3,246,115	641,035
Fines and forfeitures				
Garbage citations and leash law fees	1,500	1,500	4,900	3,400
Parking tickets and towing fees	25,000	25,000	16,285	(8,715)
False alarm fees	15,000	15,000	17,218	2,218
Total fines and forfeitures	41,500	41,500	38,403	(3,097)

Continued

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
Transit Emergency Relief Program	\$ -	\$ -	\$ 13,905	\$ 13,905
Total federal government	-	-	13,905	13,905
State of North Carolina				
Beer and wine tax	270,000	270,000	258,830	(11,170)
Fuel tax (Powell Bill) funds	1,447,000	1,447,000	1,437,419	(9,581)
State fire protection	1,115,590	1,115,590	1,095,540	(20,050)
Utility franchise tax	4,192,250	4,192,250	4,346,318	154,068
Video programming tax	675,000	675,000	608,931	(66,069)
Supplemental PEG support	82,750	82,750	81,081	(1,669)
Solid waste disposal tax	38,000	38,000	44,506	6,506
State library aid	29,000	29,000	27,506	(1,494)
State Equitable Sharing - Drug	6,000	6,000	3,284	(2,716)
Total State of North Carolina	7,855,590	7,855,590	7,903,415	47,825
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	-	-	1,896	1,896
Total other	651,899	661,899	663,795	1,896
Total intergovernmental revenues	8,507,489	8,517,489	8,581,115	63,626

Continued

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 115,000	\$ 115,000	\$ 106,339	\$ (8,661)
Library delinquent collection fees	-	-	823	823
Street cuts and right of way	78,928	78,928	156,433	77,505
Traffic signals	354,700	354,700	342,065	(12,635)
Rent revenue	359,762	359,762	386,485	26,723
Cemetery staking	1,000	1,000	2,085	1,085
Fire districts	267,085	267,085	267,256	171
Solid waste collection	407,000	407,000	403,994	(3,006)
Planning review	208,050	208,050	597,945	389,895
Engineering review	38,500	38,500	34,891	(3,609)
Recreation	818,556	818,556	914,589	96,033
Charges to other funds	1,581,537	1,581,537	1,397,211	(184,326)
Total charges for services	4,230,118	4,230,118	4,610,116	379,998
Interest on investments	50,000	50,000	111,625	61,625
Other				
Sales - planning and documents	23,150	23,150	28,900	5,750
Sales - capital assets	10,000	10,000	4,260	(5,740)
Sales - fuel	10,000	10,000	4,341	(5,659)
Sales - miscellaneous	16,750	16,750	16,912	162
Cemetery lot sales	2,000	2,000	7,414	5,414
Court fees	25,000	25,000	20,341	(4,659)
Mutual aid reimbursements	545,000	545,000	516,295	(28,705)
Gifts and donations	60,000	60,000	101,493	41,493
Revenue in lieu	-	-	22,992	22,992
Miscellaneous	86,700	162,009	201,658	39,649
Total other revenues	778,600	853,909	924,606	70,697
TOTAL REVENUES	63,195,114	63,280,423	64,776,861	1,496,438

Continued

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Mayor/Council	\$ 426,968	\$ 427,218	\$ 398,937	\$ 28,281
Manager/CaPA	2,632,332	2,928,470	2,841,401	87,069
Human Resources	1,768,953	1,889,942	1,714,542	175,400
Business Management	2,254,949	2,154,949	2,118,625	36,324
Technology Solutions	2,333,858	2,384,027	2,350,392	33,635
Attorney	351,379	376,289	372,181	4,108
Total general government	<u>9,768,439</u>	<u>10,160,895</u>	<u>9,796,078</u>	<u>364,817</u>
Environment and development				
Planning	2,115,477	2,418,516	1,848,577	569,939
Building and Development Services	1,752,861	1,755,245	1,588,916	166,329
Housing and Community	833,548	843,548	767,243	76,305
Public Works	12,777,850	12,703,404	12,042,164	661,240
Total environment and development	<u>17,479,736</u>	<u>17,720,713</u>	<u>16,246,900</u>	<u>1,473,813</u>
Public safety				
Police	13,453,216	13,471,302	12,126,276	1,345,026
Fire	9,393,617	9,412,341	8,996,808	415,533
Total public safety	<u>22,846,833</u>	<u>22,883,643</u>	<u>21,123,084</u>	<u>1,760,559</u>
Leisure activities				
Parks and recreation	7,365,091	7,103,116	6,451,220	651,896
Library	3,402,158	3,716,049	3,389,029	327,020
Total leisure activities	<u>10,767,249</u>	<u>10,819,165</u>	<u>9,840,249</u>	<u>978,916</u>
Nondepartmental				
Liability insurance	425,000	405,000	340,365	64,635
Supplemental PEG expense	190,000	190,000	171,461	18,539
Contributions to agencies	1,127,547	1,519,709	1,284,574	235,135
Contribution to OPEB liability	630,000	630,000	630,000	-
Retiree medical insurance	1,450,000	1,450,000	1,582,343	(132,343)
General government	212,250	192,350	79,651	112,699
Total nondepartmental	<u>4,034,797</u>	<u>4,387,059</u>	<u>4,088,394</u>	<u>298,665</u>
Total expenditures	<u>64,897,054</u>	<u>65,971,475</u>	<u>61,094,705</u>	<u>4,876,770</u>

Continued

## GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,701,940)	(2,691,052)	3,682,156	6,373,208
OTHER FINANCING SOURCES (USES)				
Insurance recovery	20,000	20,000	23,169	3,169
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Afford Hsg Develop Reserve Fund	(688,395)	(688,395)	(688,395)	-
Transfer to Debt Service Fund	(445,100)	(445,100)	(445,100)	-
Transfer to Stormwater Fund	(7,400)	(10,245)	(10,245)	-
Transfer to Capital Projects Ordinance Fund	-	(400,000)	(400,000)	-
Transfer to Capital Projects Fund	(237,500)	(566,991)	(566,991)	-
Transfer to Grants Fund	(81,551)	(81,551)	(62,968)	18,583
Appropriated fund balance	3,096,886	4,818,334	-	(4,818,334)
Total other financing sources (uses)	1,701,940	2,691,052	(2,105,530)	(4,796,582)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,576,626	\$ 1,576,626
FUND BALANCE, BEGINNING			24,681,497	
FUND BALANCE, ENDING			\$ 26,258,123	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes - current year	\$ 6,720,000	\$ 6,720,000	\$ 6,710,244	\$ (9,756)
Ad valorem taxes - prior years	13,000	13,000	15,183	2,183
Intergovernmental revenues:				
Federal government	170,000	170,000	170,449	449
Interest on investments	11,500	11,500	306,816	295,316
<b>Total revenues</b>	<b>6,914,500</b>	<b>6,914,500</b>	<b>7,202,692</b>	<b>288,192</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal	5,845,000	5,845,000	5,845,000	-
Interest and fiscal charges	2,412,312	2,412,312	2,412,252	60
<b>Total expenditures</b>	<b>8,257,312</b>	<b>8,257,312</b>	<b>8,257,252</b>	<b>60</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(1,342,812)</b>	<b>(1,342,812)</b>	<b>(1,054,560)</b>	<b>288,252</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	1,359,731	1,359,731	1,359,731	-
Contribution to reserve	(16,919)	(16,919)	-	16,919
<b>Total other financing sources</b>	<b>1,342,812</b>	<b>1,342,812</b>	<b>1,359,731</b>	<b>16,919</b>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>305,171</b>	<b>\$ 305,171</b>
<b>FUND BALANCES, BEGINNING</b>			<b>7,189,658</b>	
<b>FUND BALANCES, ENDING</b>			<b>\$ 7,494,829</b>	

**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, 2019**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Interest on investments	\$ 3,087,404	\$ 3,232,587	\$ 42,006	\$ 3,274,593
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	4,494,253	1,823,164	467,216	2,290,380
Federal Highway Administration Grants	2,886,618	-	95,647	95,647
U.S. DOE SEEA Grant	777,672	777,672	-	777,672
Other Federal Grants	1,739,973	1,588,574	-	1,588,574
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	3,658,431	3,283,931	21,709	3,305,640
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	923,121	573,814	100,000	673,814
Orange County parks bonds	8,482,520	8,482,520	-	8,482,520
Other Grants	1,219,721	1,202,721	-	1,202,721
Charges for services	268,005	268,005	-	268,005
Donations	1,613,993	813,928	800,000	1,613,928
Revenue in lieu	305,215	725,417	(233,196)	492,221
Other	2,311,651	2,314,848	2,238	2,317,086
<b>Total revenues</b>	<b>34,191,940</b>	<b>27,566,409</b>	<b>1,295,620</b>	<b>28,862,029</b>
<b>EXPENDITURES</b>				
Parks, recreation, library and open space capital improvements	64,007,401	62,614,017	2,326,090	64,940,107
Public safety capital improvements	5,569,834	5,325,156	34,248	5,359,404
Public works facility	31,083,380	31,008,646	-	31,008,646
Public safety facility	1,692,474	630,238	354,522	984,760
Municipal facilities	11,732,363	11,302,457	8,500	11,310,957
Sewer capital improvements	1,856,853	613,199	204,947	818,146
Software development	300,000	274,798	-	274,798
Street and sidewalk improvements	35,099,469	20,465,955	2,661,926	23,127,881
Debt service:				
Principal	4,300,000	2,150,000	2,150,000	4,300,000
Interest and fiscal charges	43,000	43,000	21,500	64,500
<b>Total expenditures</b>	<b>155,684,774</b>	<b>134,427,466</b>	<b>7,761,733</b>	<b>142,189,199</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(121,492,834)</b>	<b>(106,861,057)</b>	<b>(6,466,113)</b>	<b>(113,327,170)</b>

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, 2019**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance	72,326,501	76,631,876	-	76,631,876
Proceeds from financing	36,601,426	36,598,230	-	36,598,230
Premium on debt	1,240,028	1,240,028	-	1,240,028
Transfer from General Fund	9,064,396	8,664,396	400,000	9,064,396
Transfer from Capital Projects Fund	1,590,655	1,590,654	-	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	-	-	-
	<u>121,492,834</u>	<u>125,371,931</u>	<u>400,000</u>	<u>125,771,931</u>
<b>Total other financing sources (uses)</b>				
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 18,510,874</u>	<u>(6,066,113)</u>	<u>\$ 12,444,761</u>
<b>FUND BALANCE, BEGINNING</b>			<u>18,510,874</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 12,444,761</u>	



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 2,500	\$ 2,500	\$ 3,595	\$ 1,095
Franchise rental fees	60,000	60,000	64,118	4,118
Program income	22,260	22,260	33,707	11,447
Other	-	210,000	210,000	-
Total revenues	<u>84,760</u>	<u>294,760</u>	<u>311,420</u>	<u>16,660</u>
<b>EXPENDITURES</b>				
Capital projects:				
Municipal facilities	172,260	631,251	503,930	127,321
Street improvements and sidewalks	50,000	53,250	53,250	-
Parks, recreation and open space	100,000	181,359	138,150	43,209
Technology and communications	-	80,000	38,084	41,916
Public safety	-	520,452	497,019	23,433
Total expenditures	<u>322,260</u>	<u>1,466,312</u>	<u>1,230,433</u>	<u>235,879</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(237,500)</u>	<u>(1,171,552)</u>	<u>(919,013)</u>	<u>252,539</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	237,500	566,991	566,991	-
Appropriated fund balance	-	604,561	-	(604,561)
Total other financing sources	<u>237,500</u>	<u>1,171,552</u>	<u>566,991</u>	<u>(604,561)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(352,022)</u>	<u>\$ (352,022)</u>
FUND BALANCE, BEGINNING			<u>1,127,451</u>	
FUND BALANCE, ENDING			<u>\$ 775,429</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND  
 YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ -	\$ -	\$ 1,009	\$ 1,009
Total revenues	-	-	1,009	1,009
<b>EXPENDITURES</b>				
Environment and development	-	-	-	-
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	1,009	<u>\$ 1,009</u>
FUND BALANCE, BEGINNING			<u>216,186</u>	
FUND BALANCE, ENDING			<u>\$ 217,195</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
TRANSIT GRANT PROJECTS ORDINANCE FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
<b>REVENUES</b>				
Intergovernmental revenue				
Federal government	\$ 6,452,596	\$ 1,587,601	\$ 2,145,528	\$ 3,733,129
State government	421,076	8,851	177,429	186,280
Other	2,550,606	2,534,274	5,968	2,540,242
Total revenues	<u>9,424,278</u>	<u>4,130,726</u>	<u>2,328,925</u>	<u>6,459,651</u>
<b>EXPENDITURES</b>				
Bus & vehicle purchases	8,846,481	3,273,101	2,695,404	5,968,505
Equipment and improvements	815,583	382,992	-	382,992
Administration	1,711,157	1,379,142	89,793	1,468,935
Total expenditures	<u>11,373,221</u>	<u>5,035,235</u>	<u>2,785,197</u>	<u>7,820,432</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>(1,948,943)</u>	<u>(904,509)</u>	<u>(456,272)</u>	<u>(1,360,781)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>1,948,943</u>	<u>904,509</u>	<u>456,272</u>	<u>1,360,781</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<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, 2019**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues				
Capital Grant 2013	444,974	430,735	14,239	444,974
Capital Grant 2014	449,057	136,839	54,841	191,680
Capital Grant 2015	454,460	79,530	374,930	454,460
Capital Grant 2016	521,212	46,330	153,901	200,231
Capital Grant 2017	549,598	-	82,472	82,472
Capital Grant 2018	782,242	-	7,162	7,162
Total federal government	3,201,543	693,434	687,545	1,380,979
Other revenues	45,779	45,779	185	45,964
 Total revenues	3,247,322	739,213	687,730	1,426,943
 <b>EXPENDITURES</b>				
Environment and development	3,247,322	731,535	688,378	1,419,913
 NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 7,678	(648)	\$ 7,030
 FUND BALANCE, BEGINNING			7,678	
 FUND BALANCE, ENDING			\$ 7,030	

**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, 2019**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Block Grant 16	\$ 387,702	\$ 387,702	\$ -	\$ 387,702
Block Grant 17	380,825	309,136	71,689	380,825
Block Grant 18	418,344	-	288,476	288,476
Program income	<u>67,161</u>	<u>45,386</u>	<u>21,777</u>	<u>67,163</u>
 Total revenues	 <u>1,254,032</u>	 <u>742,224</u>	 <u>381,942</u>	 <u>1,124,166</u>
<b>EXPENDITURES</b>				
Public improvement	89,911	169	88,927	89,096
Neighborhood revitalization	763,478	386,209	165,045	551,254
Administration	238,708	154,993	82,922	237,915
Community services	<u>161,935</u>	<u>87,017</u>	<u>45,048</u>	<u>132,065</u>
 Total expenditures	 <u>1,254,032</u>	 <u>628,388</u>	 <u>381,942</u>	 <u>1,010,330</u>
 NET CHANGE IN TOTAL FUND BALANCE	 <u>\$ -</u>	 <u>\$ 113,836</u>	 <u>-</u>	 <u>\$ 113,836</u>
 FUND BALANCE, BEGINNING			 <u>113,836</u>	
 FUND BALANCE, ENDING			 <u>\$ 113,836</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - AFFORDABLE HOUSING FUND  
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Interest on investments	\$ 54,612	\$ 50,402	\$ 5,733	\$ 56,135
Program income	650,799	650,800	-	650,800
Revenue in lieu	<u>3,152,576</u>	<u>2,931,560</u>	<u>271,016</u>	<u>3,202,576</u>
Total revenues	<u>3,857,987</u>	<u>3,632,762</u>	<u>276,749</u>	<u>3,909,511</u>
<b>EXPENDITURES</b>				
Environment and development	<u>4,013,765</u>	<u>2,589,191</u>	<u>294,753</u>	<u>2,883,944</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(155,778)</u>	<u>1,043,571</u>	<u>(18,004)</u>	<u>1,025,567</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>155,778</u>	<u>155,779</u>	<u>-</u>	<u>155,779</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 1,199,350</u>	<u>(18,004)</u>	<u>\$ 1,181,346</u>
<b>FUND BALANCE, BEGINNING</b>			<u>1,199,350</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 1,181,346</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - TRANSITIONAL HOUSING FUND  
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 165,776	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	853	852	273	1,125
Program income	159,967	133,990	21,084	155,074
Other	393	330	63	393
	<u>401,989</u>	<u>375,948</u>	<u>21,420</u>	<u>397,368</u>
<b>EXPENDITURES</b>				
Environment and development	<u>419,489</u>	<u>366,196</u>	<u>9,431</u>	<u>375,627</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(17,500)</u>	<u>9,752</u>	<u>11,989</u>	<u>21,741</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 27,252</u>	<u>11,989</u>	<u>\$ 39,241</u>
<b>FUND BALANCE, BEGINNING</b>			<u>27,252</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 39,241</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, 2019**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,989	141	2,130
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>482,037</u>	<u>141</u>	<u>482,178</u>
Total revenues				
<b>EXPENDITURES</b>				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 47,164</u>	141	<u>\$ 47,305</u>
<b>FUND BALANCE, BEGINNING</b>			<u>47,164</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 47,305</u>	



**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GRANTS FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ 276,464	\$ 301,882	\$ 250,176	\$ (51,706)
State government	17,150	17,150	28,406	11,256
Other	9,475	116,714	48,527	(68,187)
Total revenues	<u>303,089</u>	<u>435,746</u>	<u>327,109</u>	<u>(108,637)</u>
<b>EXPENDITURES</b>				
Environment and development	384,640	384,640	333,777	50,863
Public safety	-	163,019	64,072	98,947
Total expenditures	<u>384,640</u>	<u>547,659</u>	<u>397,849</u>	<u>149,810</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(81,551)</u>	<u>(111,913)</u>	<u>(70,740)</u>	<u>41,173</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer from other funds	81,551	81,551	62,968	(18,583)
Appropriated fund balance	-	30,362	-	(30,362)
Total other financing sources	<u>81,551</u>	<u>111,913</u>	<u>62,968</u>	<u>(48,945)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(7,772)</u>	<u>\$ (7,772)</u>
FUND BALANCE, BEGINNING			<u>38,881</u>	
FUND BALANCE, ENDING			<u>\$ 31,109</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND  
 YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 361,000	\$ 361,000	\$ 373,860	\$ 12,860
Interest on delinquent taxes	1,000	1,000	1,956	956
Intergovernmental revenues - other	73,500	73,500	73,500	-
Interest on investments	-	-	501	501
Total revenues	<u>435,500</u>	<u>435,500</u>	<u>449,817</u>	<u>14,317</u>
EXPENDITURES				
Environment and development	<u>428,597</u>	<u>433,597</u>	<u>431,055</u>	<u>2,542</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,903</u>	<u>1,903</u>	<u>18,762</u>	<u>16,859</u>
OTHER FINANCING USES				
Contribution to reserve	<u>(6,903)</u>	<u>(1,903)</u>	-	<u>1,903</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	18,762	<u>\$ 18,762</u>
FUND BALANCE, BEGINNING			<u>114,945</u>	
FUND BALANCE, ENDING			<u>\$ 133,707</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - AFFORDABLE HOUSING DEVELOPMENT RESERVE FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
Environment and development	\$ 688,395	\$ 1,518,847	\$ 460,127	\$ 1,058,720
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(688,395)</u>	<u>(1,518,847)</u>	<u>(460,127)</u>	<u>1,058,720</u>
OTHER FINANCING SOURCES				
Transfer from other funds	688,395	688,395	688,395	-
Appropriated fund balance	<u>-</u>	<u>830,452</u>	<u>-</u>	<u>(830,452)</u>
Total other financing sources	<u>688,395</u>	<u>1,518,847</u>	<u>688,395</u>	<u>(830,452)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	228,268	<u>\$ 1,058,720</u>
FUND BALANCE, BEGINNING			<u>830,452</u>	
FUND BALANCE, ENDING			<u>\$ 1,058,720</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - LIBRARY GIFT FUND**  
**YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenues				
Federal government	\$ -	\$ 61,751	\$ 92,542	\$ 30,791
Other	-	25,000	25,000	-
Interest on investments	476	476	1,056	580
Library donations	115,600	149,600	153,185	3,585
	<u>116,076</u>	<u>236,827</u>	<u>271,783</u>	<u>34,956</u>
<b>EXPENDITURES</b>				
Leisure activities	95,076	389,906	329,560	60,346
	<u>95,076</u>	<u>389,906</u>	<u>329,560</u>	<u>60,346</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>21,000</u>	<u>(153,079)</u>	<u>(57,777)</u>	<u>95,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other funds	(45,000)	(45,000)	(45,000)	-
Contribution to reserve	-	(1,000)	-	1,000
Appropriated fund balance	24,000	199,079	-	(199,079)
	<u>(21,000)</u>	<u>153,079</u>	<u>(45,000)</u>	<u>(198,079)</u>
<b>NET CHANGE IN TOTAL FUND BALANCE</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>(102,777)</u>	<u>\$ (102,777)</u>
<b>FUND BALANCE, BEGINNING</b>				
			<u>246,615</u>	
<b>FUND BALANCE, ENDING</b>				
			<u>\$ 143,838</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services:				
Tarheel Express	\$ 340,445	\$ 340,445	\$ 294,037	\$ (46,408)
Bus advertising	163,132	163,132	193,123	29,991
Other	420,778	420,778	475,271	54,493
Total charges for services	924,355	924,355	962,431	38,076
<b>OPERATING EXPENSES</b>				
Personnel	15,087,281	13,975,368	13,452,184	523,184
Fuel and tires	1,616,056	1,637,793	1,464,531	173,262
Indirect costs	1,370,094	1,370,094	1,228,574	141,520
Building maintenance	922,554	903,417	586,293	317,124
Vehicle maintenance	2,088,707	2,375,315	1,418,296	957,019
Insurance	421,621	344,621	279,085	65,536
Advertising and marketing	149,194	67,300	40,748	26,552
Tarheel Express	311,690	302,990	260,267	42,723
Uniforms and supplies	160,745	174,245	130,928	43,317
Professional services	77,891	14,091	8,300	5,791
Contracted services	93,855	1,613,001	1,078,487	534,514
Other	481,607	600,887	391,763	209,124
Total operating expenses	22,781,295	23,379,122	20,339,456	3,039,666
<b>OPERATING LOSS</b>	<b>(21,856,940)</b>	<b>(22,454,767)</b>	<b>(19,377,025)</b>	<b>3,077,742</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Federal Operating Assistance Grant	1,944,719	2,090,181	4,038,242	1,948,061
State Operating Assistance Grant	2,939,769	3,087,906	2,439,178	(648,728)
Operating assistance-UNC Chapel Hill	8,573,655	8,573,655	8,650,740	77,085
Operating assistance-Town of Carrboro	1,808,945	1,808,945	1,808,940	(5)
Operating assistance - TTA Vehicle Fees	2,094,000	2,094,000	2,829,635	735,635
Vehicle licenses	454,350	454,350	441,753	(12,597)
Ad valorem taxes	4,933,702	4,933,702	4,918,809	(14,893)
Interest on investments	13,000	13,000	88,111	75,111
Insurance recovery	48,000	48,000	5,659	(42,341)
Capital outlay	(20,000)	(1,197,023)	(43,715)	1,153,308
Gain (Loss) from sale of capital assets	12,300	12,300	(44,523)	(56,823)
Debt service	(716,110)	(716,110)	(716,028)	82
Contribution to reserve	(255,890)	(392,518)	-	392,518
Revenue in lieu	26,500	26,500	-	(26,500)
Appropriated fund balance	-	1,957,210	-	(1,957,210)
Total nonoperating revenues (expenses), net	21,856,940	22,794,098	24,416,801	1,622,703
<b>INCOME BEFORE TRANSFERS</b>	<b>-</b>	<b>339,331</b>	<b>5,039,776</b>	<b>4,700,445</b>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers out	-	(339,331)	(456,272)	(116,941)
Total transfers	-	(339,331)	(456,272)	(116,941)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	4,583,504	\$ 4,583,504
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(22,744)	
Accrued OPEB liability			(821,136)	
Pension Expense			(862,435)	
Debt service principal			597,000	
Capital outlay			43,715	
Depreciation and amortization			(4,514,487)	
Capital contributions			2,695,405	
Change in net position			\$ 1,698,822	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,678,490	\$ 2,888,490	\$ 2,590,653	\$ (297,837)
OPERATING EXPENSES				
Personnel	837,667	699,424	700,960	(1,536)
Maintenance and repairs	59,500	13,242	8,146	5,096
Credit card fees	120,575	145,550	143,399	2,151
Lot rent	239,080	614,653	503,701	110,952
Indirect costs	80,988	80,988	65,283	15,705
Contracted services	85,728	156,227	132,966	23,261
Other	228,771	228,890	217,505	11,385
Total operating expenses	1,652,309	1,938,974	1,771,960	167,014
OPERATING INCOME	1,026,181	949,516	818,693	(130,823)
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,750	1,750	1,970	220
Insurance recovery	2,000	2,000	-	(2,000)
Proceeds from sale of capital assets	-	-	15,000	15,000
Capital outlay	(8,300)	(395,044)	(25,000)	370,044
Contribution to reserve	(107,000)	(107,000)	-	107,000
Appropriated fund balance	-	463,409	-	(463,409)
Total nonoperating revenues (expenses), net	(111,550)	(34,885)	(8,030)	26,855
INCOME BEFORE TRANSFERS	914,631	914,631	810,663	(103,968)
TRANSFERS				
Transfers out	(914,631)	(914,631)	(914,631)	-
Total transfers	(914,631)	(914,631)	(914,631)	-
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(103,968)	\$ (103,968)
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			5,582	
Accrued OPEB liability			(43,948)	
Pension expense			12,382	
Capital outlay			25,000	
Depreciation and amortization			(85,949)	
Change in net position			\$ (190,901)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 903,842	\$ 903,842	\$ 1,017,155	\$ 113,313
<b>OPERATING EXPENSES</b>				
Personnel	1,261,497	1,206,497	898,295	308,202
Maintenance and repairs	130,500	125,876	103,219	22,657
Contracted services	383,500	437,968	372,224	65,744
Utilities	177,200	177,200	182,180	(4,980)
Other	251,675	261,361	199,051	62,310
Total operating expenses	2,204,372	2,208,902	1,754,969	453,933
<b>OPERATING LOSS</b>	<b>(1,300,530)</b>	<b>(1,305,060)</b>	<b>(737,814)</b>	<b>567,246</b>
<b>NONOPERATING REVENUES</b>				
Federal Operating Assistance Grant	1,072,644	1,072,644	1,193,827	121,183
Interest on investments	1,394	1,394	1,701	307
Proceeds from sale of capital assets	-	-	4,820	4,820
Appropriated fund balance	226,492	231,022	-	(231,022)
Total nonoperating revenues	1,300,530	1,305,060	1,200,348	(104,712)
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>462,534</b>	<b>\$ 462,534</b>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(5,313)	
Accrued OPEB liability			(57,826)	
Pension Expense			(71,448)	
Depreciation and amortization			(645,058)	
Capital contribution			349,106	
Change in net position			\$ 31,995	



## PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 28

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>ASSETS:</b>				
<b>CURRENT ASSETS:</b>				
111	Cash - unrestricted	\$ 4,082,349	\$ -	4,082,349
113	Cash - other restricted	-	32,929	32,929
114	Cash - tenant security deposits	74,121	-	74,121
100	Total cash	4,156,470	32,929	4,189,399
124	Accounts receivable - Other Governmental	-	5,248	5,248
126	Accounts receivable - Tenants dwelling rents	19,951	-	19,951
126.1	Allowance for doubtful accounts - Tenants dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	12,539	5,248	17,787
143	Inventories	35,325	-	35,325
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total inventories	33,864	-	33,864
150	<b>TOTAL CURRENT ASSETS</b>	4,202,873	38,177	4,241,050
<b>NONCURRENT ASSETS:</b>				
Capital assets:				
161	Land	2,038,178	-	2,038,178
162	Building	23,513,130	-	23,513,130
164	Furniture, Equipment, & Machinery -Administration	660,701	-	660,701
	Accumulated depreciation	(17,753,878)	-	(17,753,878)
166	Construction in progress	299,014	-	299,014
160	Total capital assets, net of accumulated depreciation	8,757,145	-	8,757,145
180	<b>TOTAL NONCURRENT ASSETS</b>	8,757,145	-	8,757,145
190	<b>TOTAL ASSETS</b>	12,960,018	38,177	12,998,195
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
200	Contributions to pension plan	239,036	-	239,036
290	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	\$ 13,199,054	\$ 38,177	\$ 13,237,231
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
312	Accounts payable ≤ 90 days	\$ 321,424	\$ 31,147	\$ 352,571
321	Accrued wage/payroll taxes payable	17,425	-	17,425
322	Accrued compensated absences - current portion	50,097	-	50,097
341	Tenant security deposits	74,121	-	74,121
310	<b>TOTAL CURRENT LIABILITIES</b>	463,067	31,147	494,214
354	Accrued compensated absences - non-current portion	6,629	-	6,629
357	Accrued pension and OPEB liabilities	1,368,026	-	1,368,026
350	<b>TOTAL NON-CURRENT LIABILITIES</b>	1,374,655	-	1,374,655
300	<b>TOTAL LIABILITIES</b>	1,837,722	31,147	1,868,869
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
400	Pension deferrals	64,662	-	64,662
<b>EQUITY:</b>				
508	Investment in general capital assets	8,757,145	-	8,757,145
509	Restricted fund balance	-	7,030	7,030
512	Undesignated fund balance/retained earnings	2,539,525	-	2,539,525
513	<b>TOTAL EQUITY</b>	11,296,670	7,030	11,303,700
600	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY</b>	\$ 13,199,054	\$ 38,177	\$ 13,237,231

## PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 28

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
<b>REVENUE:</b>				
Tenant revenues:				
703	Net tenant rental revenue	\$ 1,017,155	\$ -	\$ 1,017,155
705	Total tenant revenue	1,017,155	-	1,017,155
Other revenues:				
706	HUD PHA grants	1,193,827	687,545	1,881,372
711	Investment income - unrestricted	1,701	-	1,701
713	Proceeds from disposition of assets held for sale	4,820	-	4,820
715	Other revenue	-	185	185
	Total other revenue	1,200,348	687,730	1,888,078
700	<b>TOTAL REVENUE</b>	<b>2,217,503</b>	<b>687,730</b>	<b>2,905,233</b>
<b>EXPENSES:</b>				
<b>OPERATING EXPENSES:</b>				
Administrative:				
911	Administrative salaries	260,830	45,242	306,072
915	Employee benefit contributions - administrative	246,864	14,323	261,187
919	Other operating - administrative	111,627	-	111,627
Tenant services:				
924	Tenant services-other	5,860	-	5,860
Utilities:				
931	Water	148,602	-	148,602
932	Electricity	28,984	-	28,984
933	Gas	4,594	-	4,594
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	347,739	-	347,739
942	Ordinary maintenance and operations - materials	103,219	-	103,219
943	Ordinary maintenance and operations - contract costs	372,224	-	372,224
945	Employee benefit contributions - ordinary maintenance	172,136	-	172,136
General expenses:				
961	Insurance premiums	62,531	-	62,531
962	Other general expenses	2,062	-	2,062
962.1	Compensated Absences	5,313	-	5,313
964	Bad debt - tenant rents	16,971	-	16,971
969	<b>TOTAL OPERATING EXPENSES</b>	<b>1,889,556</b>	<b>59,565</b>	<b>1,949,121</b>
970	<b>EXCESS OF OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>327,947</b>	<b>628,165</b>	<b>956,112</b>
<b>NON-OPERATING EXPENSES:</b>				
971	Extraordinary maintenance	-	628,813	628,813
974	Depreciation Expense	645,058	-	645,058
900	<b>TOTAL NON-OPERATING EXPENSES</b>	<b>645,058</b>	<b>628,813</b>	<b>1,273,871</b>
1000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(317,111)</b>	<b>(648)</b>	<b>(317,759)</b>
1104	Capital Outlays Enterprise Fund	349,106	-	349,106
	<b>CHANGE IN NET POSITION</b>	<b>31,995</b>	<b>(648)</b>	<b>31,347</b>
1103	<b>BEGINNING EQUITY</b>	<b>11,264,675</b>	<b>7,678</b>	<b>11,272,353</b>
	<b>ENDING EQUITY</b>	<b>\$ 11,296,670</b>	<b>\$ 7,030</b>	<b>\$ 11,303,700</b>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,706,000	\$ 2,703,155	\$ 2,884,075	\$ 180,920
OPERATING EXPENSES				
Personnel	1,367,025	1,362,987	1,103,583	259,404
Drainage maintenance	183,201	182,805	149,934	32,871
Indirect costs	130,455	130,455	103,354	27,101
Professional services	435,500	813,745	280,656	533,089
Contracted services	126,500	254,784	98,541	156,243
Office rent	59,465	59,465	59,270	195
Other	63,055	67,089	46,874	20,215
Total operating expenses	2,365,201	2,871,330	1,842,212	1,029,118
OPERATING INCOME (LOSS)	340,799	(168,175)	1,041,863	1,210,038
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	8,000	8,000	7,500	(500)
Interest on investments	3,000	3,000	59,666	56,666
Capital outlay	(118,702)	(3,547,107)	(465,362)	3,081,745
Debt service	(240,497)	(240,497)	(240,497)	-
Revenue in lieu	-	429,948	423,876	(6,072)
Appropriated fund balance	-	3,504,586	-	(3,504,586)
Total nonoperating revenues (expenses), net	(348,199)	157,930	(214,817)	(372,747)
INCOME (LOSS) BEFORE TRANSFERS	(7,400)	(10,245)	827,046	837,291
TRANSFERS				
Transfers In	7,400	10,245	10,245	-
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	837,291	\$ 837,291
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			16,558	
Accrued OPEB liability			(50,887)	
Pension Expense			40,365	
Debt service principal			135,000	
Amortization of bond premium			6,478	
Capital outlay			465,362	
Depreciation and amortization			(118,644)	
Change in net position			\$ 1,331,523	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN  
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2019**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 387,129	\$ 387,129	\$ 387,129	\$ -
<b>OPERATING EXPENSES</b>				
Operations	6,000	9,172	9,561	(389)
<b>OPERATING INCOME</b>	<u>381,129</u>	<u>377,957</u>	<u>377,568</u>	<u>(389)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Insurance Recovery	-	38,087	38,200	113
Interest on investments	3,500	3,500	5,080	1,580
Capital outlay	(713,500)	(1,217,841)	(926,206)	291,635
Debt service	(400,630)	(400,630)	(400,630)	-
Proceeds from sale of capital assets	50,000	100,000	121,523	21,523
Appropriated net position	<u>679,501</u>	<u>1,098,927</u>	<u>-</u>	<u>(1,098,927)</u>
Total nonoperating revenues (expenses), net	<u>(381,129)</u>	<u>(377,957)</u>	<u>(1,162,033)</u>	<u>(784,076)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(784,465)</u>	<u>\$ (784,465)</u>
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,031,581)	
Capital outlay			926,206	
Debt service principal			<u>390,174</u>	
Change in net position			<u>\$ (499,666)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN  
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND  
YEAR ENDED JUNE 30, 2019**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,420,300	\$ 1,420,300	\$ 1,414,912	\$ (5,388)
<b>OPERATING EXPENSES</b>				
Personnel	633,675	633,675	635,481	(1,806)
Operations	804,625	904,625	835,100	69,525
Total operating expenses	1,438,300	1,538,300	1,470,581	67,719
<b>OPERATING LOSS</b>	<b>(18,000)</b>	<b>(118,000)</b>	<b>(55,669)</b>	<b>62,331</b>
<b>NONOPERATING REVENUES</b>				
Insurance recovery	18,000	18,000	18,000	-
Interest on investments	-	-	2,972	2,972
Appropriated net position	-	100,000	-	(100,000)
Total nonoperating revenues	18,000	118,000	20,972	(97,028)
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(34,697)</b>	<b>\$ (34,697)</b>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			4,528	
Accrued OPEB liability			(47,252)	
Pension Expense			8,902	
Depreciation and amortization			(4,832)	
Change in net position			\$ (73,351)	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN  
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2019**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
Operations	150,875	150,875	143,082	7,793
OPERATING LOSS	(150,875)	(150,875)	(143,082)	7,793
NONOPERATING REVENUES				
Interest on investments	-	-	1,361	1,361
Appropriated fund balance	150,875	150,875	-	(150,875)
Total nonoperating revenues	150,875	150,875	1,361	(149,514)
Change in net position	\$ -	\$ -	\$ (141,721)	\$ (141,721)



**TOWN OF CHAPEL HILL, NORTH CAROLINA**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2019**

	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	\$ 8,223,292,265	0.528	\$ 43,418,983	\$ 39,853,428	\$ 3,565,555
Uncollected taxes at June 30, 2019			211,999 c	91,479	120,520
Current year's taxes collected			\$ 43,206,984 b	\$ 39,761,949	\$ 3,445,035
Current levy collection percentage			<u>99.51%</u>	<u>99.77%</u>	<u>96.62%</u>



## STATISTICAL SECTION

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

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

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

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

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

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

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

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

Table I

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 78,789,668
Restricted	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	19,549,718
Unrestricted	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)	(29,239,538)
<b>Total governmental activities net position</b>	<b>\$ 99,631,472</b>	<b>\$ 101,392,946</b>	<b>\$ 101,050,956</b>	<b>\$ 94,801,372</b>	<b>\$ 94,706,937</b>	<b>\$ 95,341,834</b>	<b>\$ 95,564,497</b>	<b>\$ 89,506,097</b>	<b>\$ 67,504,407</b>	<b>\$ 69,099,848</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 39,067,845
Unrestricted	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	10,947,357
<b>Total business-type activities net position</b>	<b>\$ 64,534,739</b>	<b>\$ 60,992,851</b>	<b>\$ 55,481,813</b>	<b>\$ 60,616,289</b>	<b>\$ 59,779,339</b>	<b>\$ 55,945,411</b>	<b>\$ 51,720,850</b>	<b>\$ 49,784,951</b>	<b>\$ 47,143,763</b>	<b>\$ 50,015,202</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 117,857,513
Restricted	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	19,549,718
Unrestricted	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)	(18,292,181)
<b>Total primary government net position</b>	<b>\$ 164,166,211</b>	<b>\$ 162,385,797</b>	<b>\$ 156,532,769</b>	<b>\$ 155,417,661</b>	<b>\$ 154,486,276</b>	<b>\$ 151,287,245</b>	<b>\$ 147,285,347</b>	<b>\$ 139,291,048</b>	<b>\$ 114,648,170</b>	<b>\$ 119,115,050</b>
<b>Component unit</b>										
Net investment in capital assets	\$ 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	\$ 266,060,335
Restricted	1,253,614	98,616	98,616	151,600	187,910	222,470	260,978	171,013	206,053	241,332
Unrestricted	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	6,068,016
<b>Total component unit net position</b>	<b>\$ 210,473,463</b>	<b>\$ 217,720,375</b>	<b>\$ 217,720,375</b>	<b>\$ 232,137,515</b>	<b>\$ 238,397,316</b>	<b>\$ 245,543,733</b>	<b>\$ 254,558,204</b>	<b>\$ 263,660,047</b>	<b>\$ 264,838,074</b>	<b>\$ 272,369,683</b>

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
Expenses										
General government	\$ 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	\$ 14,062,125
Environment and development	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	26,619,126
Public safety	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	22,286,773
Leisure activities	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	12,743,540
Interest	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	2,410,040
<b>Total expenses</b>	<b>62,016,240</b>	<b>59,420,976</b>	<b>64,889,320</b>	<b>78,185,126</b>	<b>68,228,495</b>	<b>64,842,769</b>	<b>68,341,142</b>	<b>73,253,647</b>	<b>80,922,265</b>	<b>78,121,604</b>
Program Revenues										
Charges for services:										
General government	\$ 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	\$ 1,844,457
Environment and development	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	4,280,212
Public safety	130,338	117,747	93,583	100,112	368,938	413,873	477,315	534,893	536,244	502,416
Leisure activities	905,626	952,478	952,023	1,031,436	1,044,868	1,045,413	1,078,897	1,120,649	1,385,957	1,408,235
Operating grants and contributions:										
General government	-	63,536	-	-	-	-	-	-	-	-
Environment and development	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	2,155,799
Public safety	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	1,165,123
Leisure activities	375,738	372,786	462,978	531,466	595,494	711,614	782,546	773,574	742,834	798,843
Capital grants and contributions:										
Environment and development	6,797,577	3,169,734	2,942,009	10,246,880	2,671,685	346,064	790,803	525,538	4,754,718	3,701,042
Public safety	-	-	-	-	-	-	-	559,365	852,297	-
Leisure activities	-	85,677	182,506	182,507	797,386	476,120	170,149	402,981	180,252	170,449
<b>Total program revenues</b>	<b>16,209,481</b>	<b>12,367,569</b>	<b>11,913,122</b>	<b>20,242,199</b>	<b>14,577,536</b>	<b>11,080,967</b>	<b>11,440,874</b>	<b>12,496,577</b>	<b>17,692,697</b>	<b>16,026,576</b>
<b>Total governmental activities net program expense</b>	<b>\$ (45,806,759)</b>	<b>\$ (47,053,407)</b>	<b>\$ (52,976,198)</b>	<b>\$ (57,942,927)</b>	<b>\$ (53,650,959)</b>	<b>\$ (53,761,802)</b>	<b>\$ (56,900,268)</b>	<b>\$ (60,757,070)</b>	<b>\$ (63,229,568)</b>	<b>\$ (62,095,028)</b>
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 38,880,336
Sales tax	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	14,048,261
Occupancy tax	806,686	872,115	956,496	981,716	1,044,856	1,100,478	1,202,806	1,187,510	1,281,711	1,349,003
Other taxes	41,173	51,708	56,452	58,492	59,698	65,384	74,988	77,403	85,932	88,524
Grants and contributions not restricted										
Investment earnings	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	5,339,666
Miscellaneous	88,220	71,324	34,258	91,575	34,491	39,476	56,872	92,371	253,870	472,755
Transfers	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	2,151,266
Transfers	366,331	226,775	1,480,055	728,692	1,200,050	946,753	907,756	927,575	1,004,202	1,360,658
<b>Total general revenues and other changes in net position</b>	<b>47,240,971</b>	<b>48,814,881</b>	<b>52,634,208</b>	<b>51,693,343</b>	<b>53,556,524</b>	<b>57,864,939</b>	<b>57,122,931</b>	<b>58,825,614</b>	<b>61,184,162</b>	<b>63,690,469</b>
<b>Total governmental activities changes in net position</b>	<b>\$ 1,434,212</b>	<b>\$ 1,761,474</b>	<b>\$ (341,990)</b>	<b>\$ (6,249,584)</b>	<b>\$ (94,435)</b>	<b>\$ 4,103,137</b>	<b>\$ 222,663</b>	<b>\$ (1,931,456)</b>	<b>\$ (2,045,406)</b>	<b>\$ 1,595,441</b>

Continued

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

**Table 2**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Business-type activities:</b>										
Expenses										
Transportation	\$ 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	\$ 26,560,258
Parking	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	1,883,893
Housing	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	2,534,614
Stormwater	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	1,954,820
<b>Total expenses</b>	<b>25,281,446</b>	<b>26,452,564</b>	<b>27,697,397</b>	<b>27,906,161</b>	<b>28,203,412</b>	<b>27,868,869</b>	<b>28,702,155</b>	<b>29,866,659</b>	<b>28,911,609</b>	<b>32,933,585</b>
Program Revenues										
Charges for services:										
Transportation	\$ 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	\$ 1,404,184
Parking	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	2,590,653
Housing	402,701	507,305	618,132	800,165	882,363	910,630	940,223	944,681	997,741	1,017,155
Stormwater	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	2,884,075
Operating grants and contributions:										
Transportation	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	19,766,735
Housing	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	1,193,827
Stormwater	-	-	-	-	-	-	-	-	7,500	7,500
Capital grants and contributions:										
Transportation	5,665,439	180,119	1,804,533	8,952,435	176,358	5,429	-	98,334	3,174,767	2,695,405
Housing	-	19,877	1,079,687	-	2,077,462	-	59,118	-	-	349,106
<b>Total program revenues</b>	<b>26,287,922</b>	<b>20,026,717</b>	<b>20,896,478</b>	<b>31,701,346</b>	<b>24,467,551</b>	<b>22,565,443</b>	<b>21,409,940</b>	<b>24,933,014</b>	<b>28,571,079</b>	<b>31,908,640</b>
<b>Total business-type activities net program expense</b>	<b>\$ 1,006,476</b>	<b>\$ (6,425,847)</b>	<b>\$ (6,800,919)</b>	<b>\$ 3,795,185</b>	<b>\$ (3,735,861)</b>	<b>\$ (5,303,426)</b>	<b>\$ (7,292,215)</b>	<b>\$ (4,933,645)</b>	<b>\$ (340,530)</b>	<b>\$ (1,024,945)</b>
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 4,918,809
Investment earnings	36,054	25,411	8,709	10,765	15,644	18,067	19,812	34,592	66,767	151,448
Miscellaneous	38,779	155,666	(204,093)	(930,194)	288,341	117,907	112,634	54,891	140,116	186,785
Transfers	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)	(946,753)	(907,756)	(927,575)	(1,004,202)	(1,360,658)
<b>Total general revenues and other changes in net position</b>	<b>2,599,372</b>	<b>2,883,959</b>	<b>1,289,881</b>	<b>1,339,291</b>	<b>2,898,911</b>	<b>2,987,944</b>	<b>3,067,654</b>	<b>2,997,746</b>	<b>3,215,556</b>	<b>3,896,384</b>
<b>Total business-type activities changes in net position</b>	<b>\$ 3,605,848</b>	<b>\$ (3,541,888)</b>	<b>\$ (5,511,038)</b>	<b>\$ 5,134,476</b>	<b>\$ (836,950)</b>	<b>\$ (2,315,482)</b>	<b>\$ (4,224,561)</b>	<b>\$ (1,935,899)</b>	<b>\$ 2,875,026</b>	<b>\$ 2,871,439</b>
<b>Total primary government changes in net position</b>	<b>\$ 5,040,060</b>	<b>\$ (1,780,414)</b>	<b>\$ (5,853,028)</b>	<b>\$ (1,115,108)</b>	<b>\$ (931,385)</b>	<b>\$ 1,787,655</b>	<b>\$ (4,001,898)</b>	<b>\$ (3,867,355)</b>	<b>\$ 829,620</b>	<b>\$ 829,620</b>

Continued

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

**Table 2**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Component unit activities:</b>										
Expenses	\$ 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	\$ 34,672,592
Program Revenues										
Charges for services	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	36,185,840
Capital grants and contributions	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	4,035,076
Total component unit revenues	<u>38,956,934</u>	<u>37,273,390</u>	<u>38,956,934</u>	<u>35,877,864</u>	<u>36,692,357</u>	<u>38,335,553</u>	<u>38,215,845</u>	<u>38,103,470</u>	<u>39,052,759</u>	<u>40,220,916</u>
Total component unit net (expense)/revenue	<u>\$ 7,155,819</u>	<u>\$ 5,432,558</u>	<u>\$ 7,155,819</u>	<u>\$ 4,213,439</u>	<u>\$ 5,044,268</u>	<u>\$ 6,618,633</u>	<u>\$ 7,475,375</u>	<u>\$ 5,859,775</u>	<u>\$ 5,712,043</u>	<u>\$ 5,548,324</u>
General revenues and other changes in net position										
Investment earnings	17,964	29,261	17,964	15,664	14,755	15,133	20,663	32,802	56,524	64,842
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	1,918,443
Total general revenues and other changes in net position	<u>1,936,159</u>	<u>1,814,354</u>	<u>1,936,159</u>	<u>1,901,304</u>	<u>1,215,533</u>	<u>1,444,377</u>	<u>1,539,096</u>	<u>3,242,068</u>	<u>1,739,408</u>	<u>1,983,285</u>
Total component unit activities changes in net position	<u>\$ 9,091,978</u>	<u>\$ 7,246,912</u>	<u>\$ 9,091,978</u>	<u>\$ 6,114,743</u>	<u>\$ 6,259,801</u>	<u>\$ 8,063,010</u>	<u>\$ 9,014,471</u>	<u>\$ 9,101,843</u>	<u>\$ 7,451,451</u>	<u>\$ 7,531,609</u>

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

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

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

Table 3

Fiscal Year					
2014	2015	2016	2017	2018	2019
2,670	1,599	840	1,697	1,135	1,528
350	49,357	7,551	76,121	99,820	40,568
9,994,453	8,825,428	10,706,650	7,234,759	6,955,024	7,961,838
94,489	93,049	-	-	-	-
-	-	-	-	-	425,387
139,757	89,712	117,123	46,899	27,411	27,411
213,788	233,158	323,008	382,723	389,435	412,427
372,598	217,530	213,023	147,578	156,618	139,618
-	-	-	-	-	-
72,513	-	-	-	-	-
2,654,093	2,705,364	2,706,550	2,684,006	3,096,886	3,355,766
1,200,000	1,758,000	2,258,000	-	-	-
89,750	242,528	253,860	111,281	205,249	105,457
-	-	-	-	-	-
161,223	233,377	166,980	163,246	127,994	157,494
11,143,807	13,374,946	15,990,195	13,661,662	13,621,925	13,630,629
<u>\$ 26,139,491</u>	<u>\$ 27,824,048</u>	<u>\$ 32,743,780</u>	<u>\$ 24,509,972</u>	<u>\$ 24,681,497</u>	<u>\$ 26,258,123</u>
16,538	16,538	16,538	16,538	16,538	16,538
6,110	-	-	-	399	-
8,941,889	8,830,715	12,493,165	9,376,741	6,683,531	8,018,324
3,237,033	3,081,580	2,148,256	7,467,623	8,266,327	4,257,229
2,546,208	2,042,742	5,642,501	2,009,609	7,703,224	5,919,897
1,605,667	5,280,387	4,506,614	3,172,394	2,435,373	2,195,933
594,147	127,623	129,839	124,771	300,117	146,765
8,180	522,436	65,058	1,612,295	97,785	55,765
60,529	18,317	20,538	16,926	12,377	5,682
214,756	214,996	215,226	215,525	216,186	217,195
-	-	-	-	-	-
443,476	253,462	193,174	337,500	268,456	165,679
4,803,926	5,452,410	6,615,510	7,048,523	7,189,658	7,494,829
-	-	-	166,572	18,103	53,791
475,687	119,300	549,273	129,969	98,729	47,375
-	-	-	115,000	-	-
776,339	805,203	25,202	425,202	48,586	25,202
20,353	637,093	502,675	1,013,367	-	4,825
353,843	599,938	480,562	1,929,871	2,087,281	2,310,074
85,117	128,109	76,836	115,469	114,948	133,710
28,841	135,237	56,414	-	-	-
85,538	506,877	110,193	296,962	358,174	102,448
7,209	-	-	-	-	-
318,978	612,849	721,282	259,633	217,982	394,122
-	-	-	-	154,700	17,762
4,464	43,800	43,800	-	56,616	41,916
-	-	-	-	-	-
<u>(8,047,445)</u>	<u>(7,709,975)</u>	<u>(11,670,556)</u>	<u>(8,967,961)</u>	<u>(6,674,748)</u>	<u>(7,936,715)</u>
<u>\$ 16,587,383</u>	<u>\$ 21,719,637</u>	<u>\$ 22,942,100</u>	<u>\$ 26,882,529</u>	<u>\$ 29,670,342</u>	<u>\$ 23,688,346</u>

**Town of Chapel Hill**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

(modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>				
Taxes	\$ 41,784,629	\$ 42,477,404	\$ 43,862,452	\$ 44,395,971
Intergovernmental	15,041,738	11,408,533	10,878,999	18,592,238
Charges for services	2,832,317	3,189,110	2,892,632	3,133,935
Licenses and permits	1,765,769	1,591,840	1,917,775	2,369,155
Interest on investments	88,220	71,324	34,258	91,575
Other	1,304,865	1,685,586	1,342,021	2,623,976
Total Revenues	<u>62,817,538</u>	<u>60,423,797</u>	<u>60,928,137</u>	<u>71,206,850</u>
<b>Expenditures</b>				
General government	7,337,428	8,280,508	8,838,537	9,493,289
Environment and development	20,858,543	13,970,608	13,666,918	14,398,580
Public safety	19,082,389	19,733,207	19,323,824	19,547,468
Leisure activities	8,038,538	8,051,450	8,094,096	8,719,780
Capital projects	2,778,610	5,102,513	11,116,359	29,185,322
Debt Service:				
Principal	8,520,000	3,485,000	4,490,000	4,995,000
Interest	1,991,035	1,996,991	2,271,774	2,294,854
Advance refunding escrow	-	-	-	344,867
Bond issuance costs	-	49,528	181,355	241,116
Total Expenditures	<u>68,606,543</u>	<u>60,669,805</u>	<u>67,982,863</u>	<u>89,220,276</u>
Excess of revenues over (under) expenditures	<u>(5,789,005)</u>	<u>(246,008)</u>	<u>(7,054,726)</u>	<u>(18,013,426)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,047,910	2,157,492	2,237,579	3,348,562
Transfers out	(1,548,465)	(1,930,717)	(758,199)	(2,619,870)
Proceeds from bonds	4,490,000	20,941,878	33,455,000	1,700,000
Advance refunding	-	-	(26,499,557)	3,050,000
Premium on debt	266,583	-	4,683,695	(2,700,000)
Proceeds from installment notes	-	-	-	-
Total other financing sources (uses)	<u>5,256,028</u>	<u>21,168,653</u>	<u>13,118,518</u>	<u>2,778,692</u>
Net change in fund balances	<u>\$ (532,977)</u>	<u>\$ 20,922,645</u>	<u>\$ 6,063,792</u>	<u>\$ (15,234,734)</u>
Debt service as a percentage of non capital expenditures	16.17%	9.72%	10.94%	10.25%



Table 4

Fiscal Year									
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>				
\$ 46,529,226	\$ 48,227,231	\$ 49,340,902	\$ 49,883,531	\$ 51,899,899	\$ 54,366,124				
12,328,526	10,379,680	10,367,311	10,891,739	15,426,936	13,330,922				
3,435,270	3,475,157	3,632,627	4,190,130	3,990,342	4,610,116				
2,683,188	2,392,108	2,710,159	2,485,929	3,322,598	3,246,115				
34,491	39,476	56,872	92,371	253,870	472,755				
1,923,309	3,485,501	1,548,178	2,130,432	2,459,468	2,307,186				
<u>66,934,010</u>	<u>67,999,153</u>	<u>67,656,049</u>	<u>69,674,132</u>	<u>77,353,113</u>	<u>78,333,218</u>				
9,541,046	9,589,280	10,729,883	14,147,529	12,898,095	13,884,472				
14,745,265	15,340,737	15,762,311	18,778,116	19,175,142	18,157,985				
19,946,007	20,362,042	20,333,988	20,645,476	21,063,210	21,187,156				
8,449,100	8,772,826	9,556,022	10,023,953	10,300,116	10,169,809				
9,313,279	3,696,507	7,685,753	19,725,287	12,545,297	10,294,241				
4,904,000	4,594,000	4,330,000	5,030,000	7,488,000	7,995,000				
2,300,475	2,168,703	2,007,653	2,025,209	2,247,661	2,433,752				
-	-	-	-	-	-				
-	-	-	-	-	-				
<u>69,199,172</u>	<u>64,524,095</u>	<u>70,405,610</u>	<u>90,375,570</u>	<u>85,717,521</u>	<u>84,122,415</u>				
(2,265,162)	3,475,058	(2,749,561)	(20,701,438)	(8,364,408)	(5,789,197)				
3,744,153	3,989,863	4,878,505	8,287,269	3,159,729	3,579,357				
(2,544,103)	(3,043,110)	(3,970,749)	(7,359,694)	(2,155,527)	(2,218,699)				
-	-	-	9,000,000	9,800,000	-				
-	-	-	-	-	-				
-	-	-	-	519,544	-				
-	2,395,000	7,984,000	5,760,000	-	-				
1,200,050	3,341,753	8,891,756	15,687,575	11,323,746	1,360,658				
<u>\$ (1,065,112)</u>	<u>\$ 6,816,811</u>	<u>\$ 6,142,195</u>	<u>\$ (5,013,863)</u>	<u>\$ 2,959,338</u>	<u>\$ (4,428,539)</u>				
11.31%	10.94%	9.94%	9.94%	12.38%	13.59%				

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

**Table 5**

<u>Fiscal Year</u>	<u>Property Tax</u> (1)	<u>Sales Tax</u>	<u>Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
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
2019	38,880,336	14,048,261	1,349,003	88,524	54,366,124

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**

<b>Fiscal Year</b>		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Combined Real Property</b>	<b>Personal Property</b>
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
2019		*	*	7,529,444,369	613,170,831

\* 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

<b>Public Service Companies</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value</b>
(3)		(4)	(5)	(6)
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%
80,677,065	8,223,292,265	0.528	8,263,784,811	99.51%

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

Year Taxes Payable	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Chapel Hill within Orange County:	*			
<u>Town Direct Rates:</u>				
General Fund	0.360	0.360	0.378	0.378
Transit	0.041	0.041	0.041	0.041
Debt Service	0.093	0.093	0.075	0.075
Total outside Downtown Service District	0.494	0.494	0.494	0.494
Downtown Service District	0.071	0.071	0.071	0.071
Total Direct Rates	0.565	0.565	0.565	0.565
<u>Overlapping Rates:</u>				
Orange County	0.858	0.858	0.858	0.858
Chapel Hill - Carrboro School District	0.188	0.188	0.188	0.188
Total Overlapping Rates	1.046	1.046	1.046	1.046
Total Direct and Overlapping Rates	1.611	1.611	1.611	1.611
Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.360	0.360	0.378	0.378
Transit	0.041	0.041	0.041	0.041
Debt Service	0.093	0.093	0.075	0.075
Total Direct Rates	0.494	0.494	0.494	0.494
<u>Overlapping Rates:</u>				
Durham County	0.690	0.746	0.746	0.744
Total Direct and Overlapping rates	1.184	1.240	1.240	1.238

\* Revaluation year

Source: North Carolina State Department of Revenue.

**Table 7**

<b>Fiscal Year</b>					
<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
				*	
0.388	0.388	0.388	0.388	0.376	0.386
0.051	0.051	0.051	0.051	0.050	0.060
0.075	0.085	0.085	0.085	0.082	0.082
0.514	0.524	0.524	0.524	0.508	0.528
0.071	0.071	0.071	0.071	0.070	0.070
0.585	0.595	0.595	0.595	0.578	0.598
0.858	0.878	0.878	0.878	0.838	0.850
0.208	0.208	0.208	0.208	0.202	0.202
1.066	1.086	1.086	1.086	1.040	1.052
1.651	1.681	1.681	1.681	1.618	1.650
0.388	0.388	0.388	0.388	0.376	0.386
0.051	0.051	0.051	0.051	0.050	0.060
0.075	0.085	0.085	0.085	0.082	0.082
0.514	0.524	0.524	0.524	0.508	0.528
0.744	0.744	0.793	0.740	0.768	0.778
1.258	1.268	1.317	1.264	1.276	1.306

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**

<b>Taxpayer</b>	<b>Type of Business</b>
Chapel Hill Foundation Real Estate (University Square)	Shopping Center
BIR Chapel Hill LLC (formerly 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
Granville Towers LLC	Apartment Rental
Chapel Hill at the Pointe Villager LLC	Apartment Rental
G & I VIII Midtown 501 LLC	Apartment Rental
SSC Chapel Hill Apartments LP (formerly NC UNC Holdings LLC)	Apartment Rental
Vac Limited Partnership	Apartment Rental
Corium LLC	Health Insurance
Blue Cross and Blue Shield of North Carolina	Health Insurance
Madison University Mall LLC	Shopping Center
Europa Center LLC (formerly US GT LLC)	Office Building
Southern Village Apartments	Apartment Rental
DDRM Meadowmont Village Center LLC	Development
Glen Lennox Apartments LLC	Apartment Rental

Totals

Total assessed valuation

Sources:

- (1) 2009-2010 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.



Table 8

Fiscal Year 2019			Fiscal Year 2010		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
101,301,200	1	1.23%	45,447,501	1	
68,603,700	2	0.83%			
57,421,878	3	0.70%			
44,805,701	4	0.54%	33,288,473	6	0.57%
40,587,022	5	0.49%			
40,135,700	6	0.49%			
37,337,524	7	0.45%			
37,059,636	8	0.45%			
36,468,100	9	0.44%			
33,413,772	10	0.41%			
			36,355,040	2	0.62%
			35,399,117	3	0.61%
			35,064,768	4	0.60%
			34,208,856	5	0.59%
			27,665,143	7	0.47%
			25,068,256	8	0.43%
			24,463,692	9	0.42%
			23,446,402	10	0.40%
<u>\$ 497,134,233</u>		<u>6.05%</u>	<u>\$ 320,407,248</u>		<u>5.49%</u>
<u>\$ 8,223,292,265</u>			<u>\$ 5,835,597,388</u>		

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

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
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
2019	43,418,983	43,206,984	99.51%	-	43,206,984	99.51%	211,999

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

<b>Governmental Activities</b>					
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Installment Loans</b>	<b>Orange County Loan</b>
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
2019	35,528,000	14,235,000	-	8,672,083	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	Debt Per Capita (1)	Percentage of Personal Income (1)
General Obligation Bonds	Certificates of Participation	Installment Loans				
-	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%
2,565,000	-	5,251,000	66,374,229	62,202	1,051	1.69%

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

<b>Fiscal Year</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
General bonded debt outstanding				
General obligation bonds	\$ 15,285,000	\$ 34,110,000	\$ 31,445,000	\$ 30,820,000
Percentage of estimated actual property value (1)	0.22%	0.48%	0.43%	0.42%
Per capita (2)	\$ 325	\$ 712	\$ 673	\$ 633

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**

<b>Fiscal Year</b>							
<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>		
\$ 28,141,000	\$ 25,662,000	\$ 23,472,000	\$ 31,741,000	\$ 38,770,000	\$ 35,528,000		
0.38%	0.34%	0.31%	0.42%	0.51%	0.47%		
\$ 544	\$ 490	\$ 443	\$ 599	\$ 732	\$ 670		

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**Town of Chapel Hill  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2019**

**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	\$ 125,740,000	41.41%	\$ 52,065,841
Durham County	245,470,000	1.46%	3,585,817
Total overlapping debt			<u>55,651,658</u>
Total direct debt			<u>58,558,229</u>
Total direct and overlapping debt			<u><u>\$ 114,209,887</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total assessed valuation	\$ 6,850,733,652	\$ 7,173,122,136	\$ 7,264,762,419	\$ 7,304,497,468
Debt limit - 8% of total assessed valuation	548,058,692	573,849,771	581,180,994	584,359,797
General obligation bonds	15,285,000	34,110,000	31,445,000	30,820,000
Bonds authorized but unissued	<u>20,410,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net debt applicable to debt limit	<u>35,695,000</u>	<u>34,110,000</u>	<u>31,445,000</u>	<u>30,820,000</u>
Legal debt margin	<u>\$ 512,363,692</u>	<u>\$ 539,739,771</u>	<u>\$ 549,735,994</u>	<u>\$ 553,539,797</u>
Legal debt margin as a percentage of the debt limit	93.49%	94.06%	94.59%	94.73%

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, 2019 totaled \$66,893,000  
 This total is less than 1% of the Town's June 30, 2018 tax base (\$8.22 billion).

\* Source: The North Carolina Department of Revenue final report of assessed property values for the 2018/2019 fiscal year.

North Carolina G.S §159-55.

**Table 13**

<b>Fiscal Year</b>						
<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	
\$ 7,463,253,905	\$ 7,447,206,389	\$ 7,539,774,668	\$ 7,532,719,242	\$ 8,034,649,409	8,223,292,265	
597,060,312	595,776,511	603,181,973	602,617,539	642,771,953	657,863,381	
28,141,000	25,662,000	23,472,000	31,741,000	41,470,000	38,093,000	
-	-	40,300,000	31,300,000	28,800,000	28,800,000	
<u>28,141,000</u>	<u>25,662,000</u>	<u>63,772,000</u>	<u>63,041,000</u>	<u>70,270,000</u>	<u>66,893,000</u>	
<u>\$ 568,919,312</u>	<u>\$ 570,114,511</u>	<u>\$ 539,409,973</u>	<u>\$ 539,576,539</u>	<u>\$ 572,501,953</u>	<u>590,970,381</u>	
95.29%	95.69%	89.43%	89.54%	89.07%	89.83%	

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

**Table 14**

<b>Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
	(1)	(2)	(2)	(3)	(3)	(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%
2019	63,178	9,015,914	62,202	26.4	15.82	42,138	3.9%

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 2019			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	13000+	2	Not available	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	1000+	4		754	5	2.0%
Aramark Food and Support Services	500+	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**

<b>Function/Program</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
General government:				
Finance				
Purchase orders issued	1,275	1,278	1,350	1,372
Human Resources				
Recruitment for positions	72	54	39	43
Public Works				
Streets resurfaced (miles)	8.09	n/a	6.4	6.0
Refuse collected (tons)	15,501	14,700	14,656	14,711
Economic and development:				
Planning/Inspections				
Building permits issued	792	581	1,007	884
Public safety:				
Police				
Calls for service	44,588	36,596	36,206	36,094
Traffic citations	5,590	4,664	4,996	5,087
Fire				
Emergency responses	4,113	4,723	4,318	4,194
Property losses	\$ 2,315,123	\$ 880,880	\$ 1,418,764	\$ 2,449,214
Inspections	2,334	1,155	1,252	761
Leisure activities:				
Parks and Recreation				
Program/league registrants*	n/a	n/a	n/a	n/a
Pass memberships	3,168	2,719	3,631	5,514
Class registrations	2,563	3,086	6,142	3,797
Daily visits	131,840	118,605	114,450	115,503
Transit				
Service miles	2,938,507	2,800,468	2,598,465	2,467,578
Parking				
Citations issued	16,977	14,949	13,130	12,968
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews **	n/a	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**

<b>Fiscal Year</b>						
<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	
	1,214	1,279	1,353	1,318	1,218	1,354
	68	99	83	88	89	77
	5.88	5.88	5.88	4.79	2.74	3.15
	14,746	14,082	14,331	14,339	13,894	13,857
	1,006	967	967	762	1,069	979
	36,088	37,804	38,009	33,479	31,950	40,379
	5,721	6,709	6,459	5,567	2,601	3,785
	4,109	4,388	4,642	4,514	4,928	4,896
\$	2,244,585	\$ 1,001,991	\$ 1,145,028	\$ 951,042	\$ 77,060	\$ 325,766
	757	946	1,178	1,562	2,789	4,790
	n/a	n/a	n/a	n/a	n/a	n/a
	4,195	4,123	4,189	4,150	2,385	2,959
	5,207	4,507	4,524	6,120	7,396	7,529
	108,569	104,728	95,047	82,537	136,401	121,801
	2,614,684	2,372,166	2,303,864	2,150,124	1,849,310	2,128,686
	12,970	10,465	12,598	12,754	8,729	9,330
	n/a	n/a	n/a	n/a	n/a	n/a

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

<b>Function/Program</b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
General Government:				
Public Works				
Streets (miles)	165.3	165.4	165.7	162.7
Street lights	3,313	3,313	3,396	3,422
Public Safety:				
Police				
Patrol units	5	5	5	5
Investigative units	2	2	2	2
Other specialty units	5	4	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	181,046	182,800	186,290	200,105
Transportation				
Number of buses	99	98	98	99
Number of vans	19	19	19	17
Parking				
Number of spaces available	957	948	957	1,111
Housing				
Number of units occupied	326	321	308	321

Source: Town of Chapel Hill Department representatives.



**Table 17**

<b>Fiscal Year</b>						
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
165.2	165.2	165.2	166.1	166.1	166.1	
3,425	3,491	3,522	3,566	3,600	3,605	
5	5	5	5	5	5	
2	2	2	2	2	5	
4	4	4	4	4	4	
5	5	5	5	5	5	
15	14	14	14	15	15	
216,985	204,271	199,922	210,873	339,352	385,880	
98	98	98	98	93	95	
19	19	6	18	20	19	
1,189	1,189	1,106	1,159	1,475	1,475	
321	321	321	319	300	290	

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

**Table 18**

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	8	8	9.8	7	11.75	11.75	9	9	10	10
Communication and Public Affairs	9.13	9.13	7.33	6.53	7.53	7.53	8.53	7.53	7.53	7.53
Human resources	8	8	8	8	8	7	10	10	10	10
Finance	14	14	15	15	15	16	18	18	18	18
Technology solutions	8	9	8	8	9	9	10	13	13	16
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning & Sustainability (A)	21.06	20.53	20.53	17.75	15.75	15.75	35.65	36.65	22.65	20.65
Housing & Community	-	-	-	-	-	-	6.2	7.2	7.2	7.2
Public Works	76.75	85	76.25	65.25	71.25	71.25	72.25	72.55	72.55	70.2
Inspections (A)	8	8	8	8	8	12	-	-	-	-
Engineering	23	23	23	23	23	23	21	20	20	20
Public Safety:										
Police	144	145	145	139	138	136	136	134	150	150
Fire	93.53	93.53	93.53	90	92	92	95	97	96	96
Leisure activities:										
Parks & Recreation	58.84	58.84	58.84	53.51	54.01	54.41	57.83	57.83	57.8	56.5
Library	29.2	29.08	29.08	30.39	26.63	30.09	30.41	29.9	30.3	32.16
Transit	185.98	195.33	195.33	171.73	178.41	183.79	198.29	201.29	203.29	203.29
Parking	12.8	12.8	12.8	11.8	11.8	11.8	10.8	10.8	9	9.8
Housing	18	17	17	16	16	16	16	16	16	16
Stormwater	14	14	14	14	14	14	14	14.7	14.7	15.05
Vehicle Maintenance	-	-	-	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Downtown Service	-	-	-	1	1	1	1	1	1	1
<b>Total</b>	<b>735.29</b>	<b>753.24</b>	<b>744.49</b>	<b>696.71</b>	<b>711.88</b>	<b>723.12</b>	<b>760.71</b>	<b>767.2</b>	<b>769.77</b>	<b>770.13</b>

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

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## & 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, 2019, 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 15, 2019.

#### **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, North Carolina  
November 15, 2019

# MARTIN ♦ STARNES

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## & 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, 2019. 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, 2019.

### **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, North Carolina  
November 15, 2019

# 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, 2019. 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 of 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, 2019.

### **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, North Carolina  
November 15, 2019



# TOWN OF CHAPEL HILL, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

### 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? No
- Significant deficiencies identified? None reported

Non-compliance material to financial statements noted? No

#### **Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? 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)? No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA#</u></b>
CDBG Entitlement Grant Cluster	14.218
Federal Transit Cluster	20.507, 20.526

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**State Awards**

Internal control over major state programs:

- Material weaknesses identified? No
- Significant deficiencies identified? 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? No

Identification of major state programs:

**Program Name**

State Maintenance Assistance for Urban and Small Urban Areas

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019**

None reported.

TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

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	
<b>FEDERAL ASSISTANCE</b>						
U.S. Department of Transportation						
Federal Transit Administration						
<i>Direct Programs:</i>						
<b>FEDERAL TRANSIT CLUSTER:</b>						
Federal Transit Administration - Federal Transit Formula Grant	20.507		37,963	13,782	-	3,446
Federal Transit Administration - Federal Transit Formula Grant	20.507		22,667	3,108	-	777
Federal Transit Administration - Federal Transit Formula Grant	20.507		11,837	11,837	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,373,586	973,331	-	398,912
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,505,000	57,700	-	14,425
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,260,000	1,105,137	-	138,142
Federal Transit Administration - Federal Transit Formula Grant	20.507		917,888	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507		1,944,719	3,938,230	-	-
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		534,037	9,360	-	2,340
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		592,708	-	-	-
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526		1,366,271	-	-	-
<i>Subtotal Direct Federal Transit Cluster</i>				6,112,485		558,042

TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

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	
<i>Passed-Through NC Dept of Transportation:</i>						
Federal Transit Administration - Transit Emergency Relief Program	20.527		13,905	13,905	-	-
<i>Subtotal Passed-Through NC Dept of Transportation</i>				<u>13,905</u>	<u>-</u>	<u>-</u>
<i>Passed-Through City of Durham, North Carolina:</i>						
METROPOLITAN TRANSPORTATION PLANNING PROGRAM / STATE AND NON-METROPOLITAN PLANNING AND RESEARCH PROGRAM:						
Federal Transit Administration - Section 5303	20.505	U-4727	171,500	113,623	28,406	12,461
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7)	108,980	77,945	-	12,767
<i>Subtotal Pass-Through Metro Transportation Planning Program / State and Non-Metro Planning and Research Program</i>				<u>191,568</u>	<u>28,406</u>	<u>25,228</u>
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	173,804	21,269	-	21,270
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	67,513	50,016	-	50,016
<i>Subtotal Pass-Through Transit Services Program Cluster</i>				<u>71,285</u>	<u>-</u>	<u>71,286</u>
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	452,000	100,000	113,000
NC DOT STPDA Grant - Estes Drive Bike Design	20.205	C-5179	256,000	3,860	-	965
NC DOT CMAQ Grant - Estes Drive Bike Construction	20.205	C-5179	2,886,618	95,647	-	23,912
NC DOT STPGDA Grant - Variable Message Construction	20.205	U-5543	1,401,300	11,357	-	2,839

TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

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	
NCDOT STPGDA Grant - Homestead Road Sidewalk	20.205	U-4726 IK	1,040,000	-	-	-
NCDOT-Sidepath	20.205	EB-5721	558,000	21,710	5,427	-
<i>Subtotal Pass-Through Highway Planning and Construction Cluster</i>						
<b>Total U.S. Department of Transportation</b>				<b>6,973,817</b>	<b>128,406</b>	<b>800,699</b>
U.S. Department of Housing and Urban Development						
Office of Community Planning and Development						
<i>Direct Programs:</i>						
<b>CDBG &amp; ENTITLEMENT GRANTS CLUSTER:</b>						
Community Development Block Grant Entitlement Program income	14.218		1,186,871	360,165	-	114,486
<i>Subtotal Direct CDBG Entitlement Grants Cluster</i>				<i>360,165</i>	<i>-</i>	<i>114,486</i>
<b>OFFICE OF PUBLIC &amp; INDIAN HOUSING</b>						
Public and Indian Housing Program - Operating	14.850		1,193,827	1,193,827	-	-
Rental and other income			-	-	1,016,981	-
<i>Subtotal Direct Public Housing Capital Grants</i>				<i>1,193,827</i>	<i>-</i>	<i>1,016,981</i>
<b>PUBLIC HOUSING CAPITAL FUND</b>						
Public Housing - Capital Fund	14.872		444,974	14,239	-	-
	14.872		449,057	54,841	-	-
	14.872		454,460	374,930	-	-
	14.872		521,212	153,902	-	-
	14.872		549,598	82,472	-	-
	14.872		782,242	7,162	-	-
<i>Subtotal Direct Public &amp; Indian Housing Capital Grants</i>				<i>687,546</i>	<i>-</i>	<i>-</i>

TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

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	
<i>Passed-Through Orange County, North Carolina:</i>						
HOME INVESTMENT PARTNERSHIP PROGRAM						
Public and Indian Housing - Program Income				-	15,918	-
<i>Subtotal Pass-Through HOME Program</i>				-	15,918	-
<b>Total U.S. Department of Housing and Urban Development</b>				<b>2,241,538</b>	<b>1,054,676</b>	<b>114,486</b>
U.S. Department of Justice						
Bureau of Justice Assistance						
<i>Direct Programs:</i>						
Bulletproof Vest Partnership Program	16.607		27,066	2,032	2,032	-
Bulletproof Vest Partnership Program	16.607		22,687	5,031	5,032	-
Bulletproof Vest Partnership Program	16.607		26,030	708	708	-
<i>Subtotal direct programs</i>				<i>7,771</i>	<i>7,772</i>	-
National Institute of Justice						
<i>Passed-Through NC Department of Public Safety:</i>						
Governor's Crime Commission DNA Backlog Reduction Program	16.741	PROJ011685	23,990	-	-	-
<i>Subtotal Passed-Through NC Dept of Public Safety</i>				-	-	-
<b>Total U.S. Department of Justice</b>				<b>7,771</b>	<b>7,772</b>	<b>-</b>



**TOWN OF CHAPEL HILL, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	
<b>U.S. Institute of Museum and Library Services</b>						
<i>Passed-Through State Library of North Carolina:</i>						
Grants to States						
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	89,140	18,387	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-17	30,600	3,129	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-0034-18	40,000	39,809	-	-
LSTA Project Literacy & Lifelong Learning Grant	45.310	LS-00-17-1860-19	2,995	2,995	-	-
<b>Total U.S. Institute of Museum and Library Services</b>				<b>64,320</b>	-	-
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>9,287,446</b>	<b>128,406</b>	<b>114,486</b>
<b>STATE ASSISTANCE</b>						
<i>North Carolina Department of Transportation:</i>						
Powell Bill		5121	1,437,419	-	1,437,419	-
State Maintenance Assistance for Urban and Small Urban Areas		NC-2017-049-00	2,297,839	-	2,297,839	-
NCDOT Advanced Technology Grant		17-AT-117	164,597	-	141,339	4,749
NCDOT Urban State Match Program		19-SM-205	140,000	-	138,142	-
NCDOT Rural Capital Program		18-34-006	39,288	-	39,287	-
NCDOT MPO Grant - Traffic Signal Upgrade		U-4704	450,000	-	-	-
<i>Passed-Through Triangle J Council of Government:</i>						
Transit Demand Grant		2000004447	104,160	-	50,836	37,739
Total North Carolina Department of Transportation				-	4,104,862	42,488
<i>North Carolina Department of Natural and Cultural Resources:</i>						
State Library Aid		2016-2017	27,506	-	27,506	-
<b>TOTAL STATE ASSISTANCE</b>				-	<b>4,132,368</b>	<b>42,488</b>
<b>TOTAL FINANCIAL ASSISTANCE</b>				<b>9,287,446</b>	<b>4,260,774</b>	<b>114,486</b>

**TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019**

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, 2019. 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.
3. The Town of Chapel Hill has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.
4. 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, 2019. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2019, 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.