

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2015**

Prepared by:

Town of Chapel Hill
Business Management Department

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal..... i
Certificate of Achievement for Excellence in Financial Reporting..... ix
Organizational Chart x
The Town Governing Body and Officials xi

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS..... 5

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Statement of Net Position..... 17
Statement of Activities 18

FUND FINANCIAL STATEMENTS:

MAJOR FUNDS..... 19

Governmental Funds:

Balance Sheet..... 21
Reconciliation of the Balance Sheet to the Statement of Net Position..... 23
Statement of Revenues, Expenditures and Changes in Fund Balances..... 24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities 26
General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget to Actual..... 27

Proprietary Funds:

Statement of Fund Net Position..... 28
Statement of Revenues, Expenses and Changes in Net Position 30
Statement of Cash Flows 32

NOTES TO THE FINANCIAL STATEMENTS 37

REQUIRED SUPPLEMENTARY INFORMATION

Law Enforcement Officers' Special Separation Allowance:
Schedule of Funding Progress 77
Schedule of Employer Contributions 78
Other Postemployment Benefits:
Schedule of Funding Progress 79
Schedule of Employer Contributions 80

TABLE OF CONTENTS

	Page
Local Government Employees' Retirement System:	
Schedule of the Proportionate Share of the Net Pension Asset.....	81
Schedule of Contributions.....	82

COMBINING NON-MAJOR FUND STATEMENTS AND SCHEDULES

Non-Major Governmental Funds:	83
Combining Balance Sheets:	
Other Governmental Funds.....	85
Special Revenue Funds	86
Capital Projects Funds.....	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances:	
Other Governmental Funds	89
Special Revenue Funds.....	90
Capital Projects Funds.....	92
Internal Service Funds	93
Combining Statement of Net Position.....	94
Combining Statement of Revenues, Expenses and Changes in Net Position	95
Combining Statement of Cash Flow	96

BUDGETARY STATEMENTS

Major Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual:	
General Fund.....	99
Debt Service Fund.....	104
Capital Projects Ordinance Fund.....	105

Non-major Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual:	
Capital Projects Fund	107
Capital Reserve Fund	108
Transit Grant Projects Ordinance Fund.....	109
Public Housing Capital Grants Fund.....	110
Community Development Grant Fund.....	111
Affordable Housing Fund.....	112
Transitional Housing Fund	113
Land Trust Fund	114
Grants Fund	115
Downtown Service District Fund.....	116
Library Gift Fund.....	117

TABLE OF CONTENTS

Page

Enterprise Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual (Modified Accrual Basis):

Transit Fund	118
Parking Facilities Fund	120
Public Housing Operating Fund.....	111
Public Housing Supplemental Data Schedules.....	122
Stormwater Management Fund	124

Internal Service Funds

Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual (Modified Accrual Basis):

Vehicle Replacement Fund	125
Vehicle Maintenance Fund	126
Computer Equipment Replacement Fund	127

Other Supplemental Schedules

Schedule of Ad Valorem Taxes Receivable	129
Analysis of Current Tax Levy.....	130

STATISTICAL SECTION

Statistical Section Summary	131
Net Position by Component.....	132
Changes in Net Position.....	133
Fund Balances, Governmental Funds.....	136
Changes in Fund Balance, Governmental Funds	138
Governmental Funds Tax Revenue by Source.....	141
Assessed Value and Actual Value of Taxable Property	142
Direct and Overlapping Property Tax Rates.....	144
Principal Property Tax Payers.....	146
Property Tax Levies and Collections	149
Ratios of Outstanding Debt by Type.....	150
Ratios of Net General Bonded Debt Outstanding.....	152
Direct and Overlapping Governmental Debt.....	155
Legal Debt Margin Information.....	156
Demographics and Economic Statistics	158
Principal Employers	159
Operating Indicators	160
Capital Asset Statistics.....	162
Full Time Equivalent Town Employees by Function.....	164

TABLE OF CONTENTS

Page

SINGLE AUDIT SECTION

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..... 165

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act..... 167

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act 169

Schedule of Findings and Questioned Costs..... 171

Summary Schedule of Prior Year Findings and Questioned Costs..... 172

Schedule of Expenditures of Federal and State Awards..... 175



MANAGER'S OFFICE
Town of Chapel Hill
405 Martin Luther King Jr. Blvd.
Chapel Hill, NC 27514-5705

phone (919) 968-2743 *fax* (919) 969-2063
www.townofchapelhill.org

October 27, 2015

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Town of Chapel Hill for the fiscal year ended June 30, 2015 (FY 2014-15) 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, 2015.

The town engaged Martin Starnes and Associates, 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, 2015 are presented in conformity with generally accepted accounting principles. The report of the independent auditors is presented as the first component of the financial section of this report.

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

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

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

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

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

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

Budgetary control is maintained at the major functional level. Neither an operational expenditure nor an encumbrance is processed when the transaction would result in a department overrun. Open encumbrances are a component of restricted fund balances at June 30, 2015.

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

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

Profile of the Town of Chapel Hill

The Town is located principally in Orange County with a small section extending into Durham County in the north central portion of North Carolina on the Piedmont Plateau, approximately equidistant between Washington, D.C. and Atlanta, Georgia. The area's topography is characterized by rolling hills. The Town, which was chartered in 1819, presently covers an area of 21.3 square miles, serves an official population of 59,653 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. He is the professional administrator who serves at the pleasure of the Town Council for an indefinite term.

Factors Affecting Financial Condition

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

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

The economy of the Town is characterized by a high degree of institutional and public sector activity, plus office, commercial and service-oriented businesses. The University of North Carolina at Chapel Hill and the University of North Carolina Health Care System are the largest employers in the Town, providing about 24,000 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. In addition, the Town began the process for holding a general obligation (GO) bond referendum.

On June 22, 2015 the Town Council adopted a resolution approving the bond orders (listed below), ballot questions and referendum details for a \$40.3 million GO bond referendum scheduled for the November 2015 election.

- Streets and Sidewalks \$16.2 million
- Trails and Greenways 5.0 million
- Recreation Facilities 8.0 million
- Solid Waste Facilities 5.2 million
- Storm water Improvements 5.9 million

The bond orders for the November 2015 referendum include 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.

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 will provide capacity to pay the additional debt service for the proposed referendum bonds.

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

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

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

The Library project was completed in spring of 2013 and the other bond-funded projects were either completed or under way in 2014-15.

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 345 parking spaces. The project also includes about 27,000 square feet of open public space and public art. The town owns the site with a land lease and owns 161 parking spaces with the remaining 169 spaces owned by the condominium association for use by condominium owners.

In addition to the Town's plans, The University of North Carolina is planning a new satellite campus on approximately 1,000 acres called Carolina North. The new development (on land formerly used by the Horace Williams Airport) will combine a research park with academic

buildings, businesses, residential areas, green space and public schools. On June 22, 2009, the Chapel Hill Town Council approved a development agreement with the University for the Carolina North Project. The actual campus of Carolina North will cover approximately 250 acres of the Horace Williams Tract and will be built in phases over the next 50 years. To date development of Carolina North has been delayed due to the economic issues affecting the state budget.

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

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

The Plan, which was adopted in June 2011, set forth a number of implementation goals to help improve overall conditions in the area. Using the SAP as a guide, comprehensive rezoning of the district was adopted in May of 2014. This includes the creation of a new Redevelopment Zoning District. In order to remediate conditions that create barriers to redevelopment the Town has committed to making public improvements in the area that include \$8.8 million of roadway improvements and \$1.8 million of stormwater improvements.

The Town is planning on combining the financing of the \$10 million of Ephesus Fordham public improvements with other capital projects including a major renovation of Town Hall. The total financing amount of \$11.7 million will be issued in two parts, the first part in FY16.

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

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The dedication of a portion of the tax rate to debt service in FY 2009, along with the opportunity to pay off existing debt during the delay in issuing the remainder of the authorized general obligation bonds, allowed the Debt Fund to meet debt service needs from fund balance. Although the issuance of the final 2003 bonds brought debt service costs temporarily above the established guideline of 12% of general fund expenditures, debt service is expected to fall below 12% by 2015-16.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2014-15 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, 2014.

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 2014-15. 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, 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,

Roger L. Stancil
Town Manager



Kenneth C. Pennoyer
Business Management Director





Government Finance Officers Association

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

Presented to

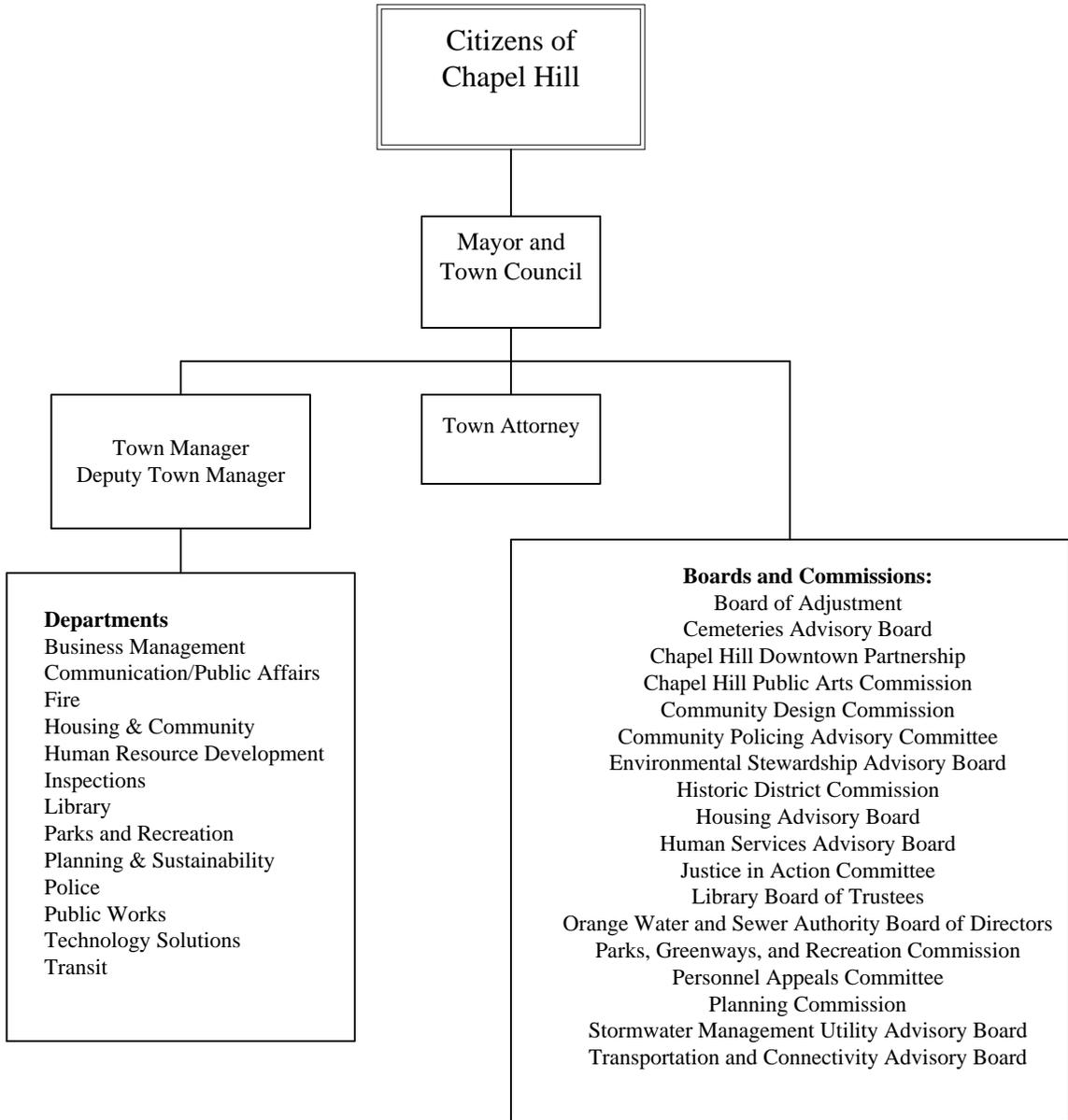
**Town of Chapel Hill
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATION CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2015
MEMBERS OF THE GOVERNING BODY**

Mayor

Mark Kleinschmidt

Mayor pro tem

Sally Greene

Council Members

Donna Bell

George Cianciolo

Ed Harrison

Maria Palmer

Lee Storrow

Jim Ward

Administrative and Financial Staff

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

This page intentionally left blank.

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, 2015, 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, 2015, 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, the Law Enforcement Officer's Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions be presented to supplement the basic financial statements. Such information, although not a required 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 accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act 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, 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, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015 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 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 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
October 27, 2015

This page intentionally left blank.

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, 2015. The financial statements and notes included in this report present the financial position and operations of governmental and business activities of the town. During the fiscal year, the Town continued its sound current and long-range policies for financial management. These policies are intended to:

- expand and diversify sources of revenue other than property taxes;
- maintain relatively low-property tax rates;
- facilitate capital improvements by maintaining adequate resources and reasonable financing capacity;
- enhance management techniques to improve productivity and efficiency;
- provide professional public services that are similar in operation to private enterprises; 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

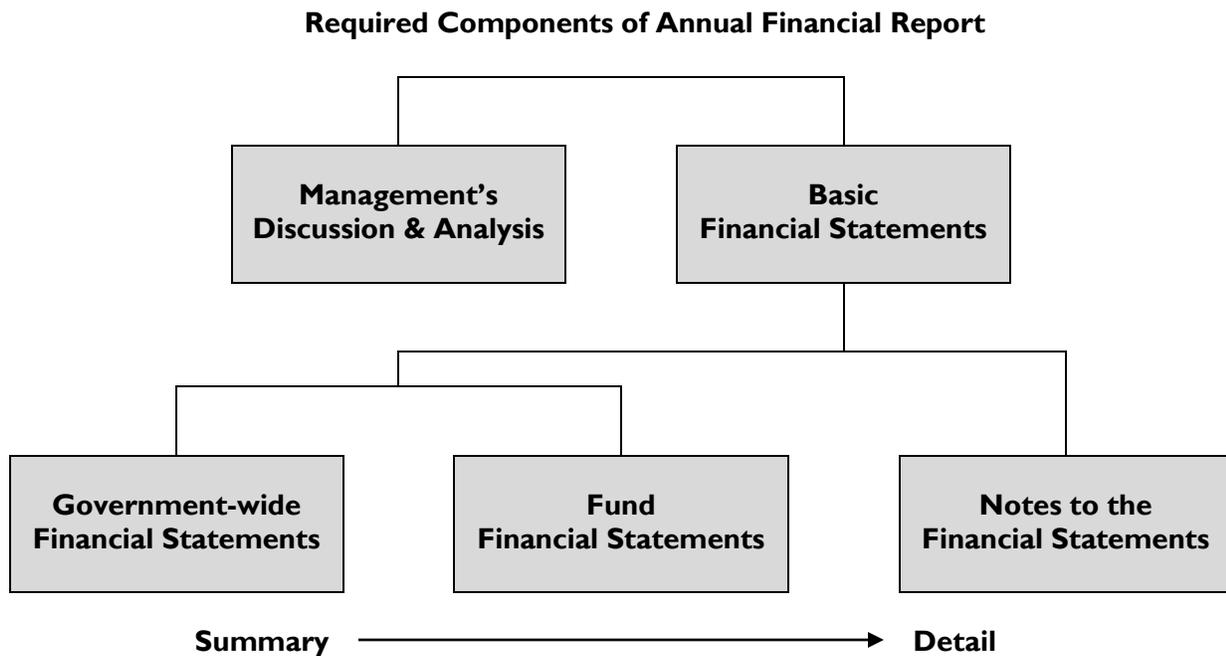
Highlights of the Town's fiscal year ended June 30, 2015, include:

- The assets of the Town of Chapel Hill exceeded its liabilities and deferred inflows of resources as of the close of the fiscal year by \$151.3 million (net position.)
- The government's total net position decreased by about \$3,199,000, the net of a \$3,834,000 decrease in business-type activities net position and a \$635,000 increase in governmental activities net position.
- The fiscal year's activities continued the slow recovery of recent years from the 2008 recession and continue to validate the measures that were undertaken to deal with it. In fiscal year 2015, the management of the Town continued with budget initiatives that began in the fall of 2008 to deal with potential revenue shortfalls and to align revenues with expenditures.
- There was no tax increase in the current year and with stronger sales tax and utility franchise tax collections, the general fund budget was able to fund several large initiatives (expenditures related to the closure of the landfill, expanded library service hours, restoration of street paving, penny for housing), and have assets increase by \$1.4 million and liabilities decreased by \$286,000, for a net increase of net position of about \$1.7 million.
- At June 30, 2015, total net position of \$151.3 million represents capital assets and restricted net position which has been reserved for specific purposes, with a balance of \$8.8 million that is unrestricted. Restrictions for Stabilization by State Statue accounts for \$17.6 million of net position, largely representing bond and capital funds (\$4.2 million) and debt fund (\$3.6 million) and outstanding purchase orders for the ongoing capital projects (\$4.5 million), and outstanding purchase orders for ongoing Town operating costs (\$4.9 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 \$49.5 million, an increase of \$6.8 million in comparison with the prior year.
- Unassigned fund balance of the General Fund (totaling approximately \$13.3 million) continues to meet working capital requirements and a policy of reserving at least 12% of the succeeding fiscal year budget. 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 \$1,247,000 to \$74.5 million as a result of paying off existing debt.
- Property taxes supported 52% of the governmental services to citizens and the community in fiscal year 2015.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements



Basic Financial Statements

This discussion and analysis serves as an introduction to Chapel Hill's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown above. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In

Management's Discussion and Analysis

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 10) 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 and proprietary funds statements.

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

Management's Discussion and Analysis

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

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 37 through 76 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 77 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, 2015 (as shown in Exhibit 1) with comparative data from June 30, 2014.

Town of Chapel Hill's Net Position						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 61,025,978	\$ 52,685,697	\$ 21,014,291	\$ 17,234,105	\$ 82,040,269	\$ 69,919,802
Capital assets	116,861,516	120,608,289	46,845,360	50,976,684	163,706,876	171,584,973
Deferred outflows of resources	1,705,047	-	746,494	-	2,451,541	-
Total assets	179,592,541	173,293,986	68,606,145	68,210,789	248,198,686	241,504,775
Current liabilities	11,608,879	12,126,849	1,932,409	1,666,244	13,541,288	13,793,093
Non-current liabilities	66,388,416	66,443,363	8,067,481	6,765,206	74,455,897	73,208,569
Deferred inflows of resources	6,253,412	16,837	2,660,844	-	8,914,256	16,837
Total liabilities and deferred inflows of resources	84,250,707	78,587,049	12,660,734	8,431,450	96,911,441	87,018,499
Net position:						
Net investment in capital assets	74,223,378	73,079,773	46,845,360	50,976,684	121,068,738	124,056,457
Restricted for:						
Stabilization by State Statute	17,656,143	18,936,342	-	-	17,656,143	18,936,342
Capital projects	2,769,487	1,874,739	-	-	2,769,487	1,874,739
Public housing	127,623	594,147	-	-	127,623	594,147
Other functions	833,015	475,267	-	-	833,015	475,267
Unrestricted	(267,812)	(253,331)	9,100,051	8,802,655	8,832,239	8,549,324
Total net position	\$ 95,341,834	\$ 94,706,937	\$ 55,945,411	\$ 59,779,339	\$ 151,287,245	\$ 154,486,276

The assets of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$151.3 million as of June 30, 2015. The Town's net position decreased by a total of \$3.2 for the fiscal year, the net of a \$3,834,000 decrease in business-type activities and a \$635,000 increase in governmental activities.

The largest portion (80%) 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.

Management's Discussion and Analysis

A large portion of the Town of Chapel Hill's net position (about \$21.4 million) represents resources that are subject to external restrictions on how they may be used, leaving a balance of \$8.8 million in unrestricted net position.

The Town of Chapel Hill implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased net position by \$4,986,686. 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 \$4,103,000 before the restatement and an increase of \$635,000 after the restatement.

Business-type activities: Business-type activities show a decrease in net position of about \$2,315,000 before the restatement and a decrease of \$3,834,000 after the restatement. The Transit fund had a \$2.2 million decrease in net position before the restatement (\$3.4 million decrease after the restatement) as a result of increased costs to operate the transit system and a reduction in the amount of federal grants received. Through growth in development and receipts, the Stormwater Management Fund gained \$505,000 in net position before the restatement (\$429,000 increase after the restatement). The Housing Operating Fund had a decrease of \$368,000 in net position before the restatement (\$467,000 after the restatement) as a result of larger maintenance and repairs projects on the housing units. The Parking Facilities Funds had an anticipated decrease in net position of \$301,000 before the restatement (\$371,000 after the restatement) with the completion of construction of the 140 West parking deck.

Management's Discussion and Analysis

Figure 3 presents a summary of government-wide activity (as presented in Exhibit 2) for the year ended June 30, 2015, with comparative data for June 30, 2014.

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 6,045,369	\$ 6,249,470	\$ 7,049,718	\$ 6,996,499	\$ 13,095,087	\$ 13,245,969
Operating grants and contributions	4,213,414	4,858,995	15,510,296	15,217,232	19,723,710	20,076,227
Capital grants and contributions	822,184	3,469,071	5,429	2,253,820	827,613	5,722,891
General revenues:						
Taxes	48,227,231	46,529,226	3,798,723	3,794,976	52,025,954	50,324,202
Grants and contributions not restricted to specific programs	5,344,082	4,000,460	-	-	5,344,082	4,000,460
Investment earnings	39,476	34,491	18,067	15,644	57,543	50,135
Other	3,307,397	1,792,297	117,907	288,341	3,425,304	2,080,638
Total revenues	67,999,153	66,934,010	26,500,140	28,566,512	94,499,293	95,500,522
Expenses:						
General government	10,169,004	10,010,914	-	-	10,169,004	10,010,914
Environment and development	20,244,461	23,481,833	-	-	20,244,461	23,481,833
Public safety	21,015,947	21,303,785	-	-	21,015,947	21,303,785
Leisure activities	11,244,654	11,131,488	-	-	11,244,654	11,131,488
Interest expense	2,168,703	2,300,475	-	-	2,168,703	2,300,475
Transportation	-	-	21,803,767	21,286,421	21,803,767	21,286,421
Parking facilities	-	-	1,901,853	2,101,226	1,901,853	2,101,226
Stormwater management	-	-	1,649,076	1,799,370	1,649,076	1,799,370
Housing operations	-	-	2,514,173	3,016,395	2,514,173	3,016,395
Total expenses	64,842,769	68,228,495	27,868,869	28,203,412	92,711,638	96,431,907
Increase (decrease) in net position before transfers	3,156,384	(1,294,485)	(1,368,729)	363,100	1,787,655	(931,385)
Transfers	946,753	1,200,050	(946,753)	(1,200,050)	-	-
Increase (decrease) in net position	4,103,137	(94,435)	(2,315,482)	(836,950)	1,787,655	(931,385)
Net position, July 1	94,706,937	94,801,372	59,779,339	60,616,289	154,486,276	155,417,661
Restatement (See Note O)	(3,468,240)	-	(1,518,446)	-	(4,986,686)	-
Net assets, July 1, as restated	91,238,697	94,801,372	58,260,893	60,616,289	149,499,590	155,417,661
Net position, June 30	\$ 95,341,834	\$ 94,706,937	\$ 55,945,411	\$ 59,779,339	\$ 151,287,245	\$ 154,486,276

Management's Discussion and Analysis

Financial Analysis of the Town's Funds

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

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

At June 30, 2015, the governmental funds of Chapel Hill reported a combined fund balance of about \$49.5 million, an increase of \$6.8 million or 16.0% from last year. This change is largely the result of the a new installment financing of about \$2.4 million at the end of the fiscal year where project expenditures hadn't started and general fund revenues coming in higher than expected in sales tax and utility franchise tax.

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 \$13.4 million, with total fund balance of \$27.8 million. The fund balance available for appropriation according to the statutory calculation is 34.0% of expenditures for FY15, and the Town Council guideline requires that we maintain at least a fund balance of 15% of expenditures in case of unforeseen needs. Unassigned fund balance represents 24.0%, and total fund balance, which includes reserves and designated amounts, represents 49.9% of total 2014-15 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$1.7 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 \$648,484 in FY15 as total outstanding debt is decreasing.

The Capital Projects Ordinance Fund reflects a \$3.5 million increase in fund balance, representing a new installment financing of \$2.395 million and \$1.6 million proceeds from the sale of the museum.

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

Conservative budgeting principles result in actual revenues exceeding budget estimates. With the economy showing signs of recovery, the actual revenues were about \$1.6 million more than budgeted. Sales taxes continued at pre-recession levels, with receipts exceeding estimates by about \$568,500. Intergovernmental revenues were \$1,390,000 over budget resulting from a large increase in utility franchise tax receipts. Signs of recovery were also reflected in development-related income, with Licenses and Permits which exceeded budget by \$482,000. Other revenue sources also slightly exceeded budget.

Management's Discussion and Analysis

Expenditures were about \$8.0 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2014-15, reducing the requirements for road clearing, debris cleanup and heating of buildings. In addition to efforts to curtail spending through the delayed hiring of open positions and other cost-cutting measures, the savings include \$1.758 million budgeted to fund Other Post-Employment Benefits that have not yet been placed in trust, and about \$3.2 million represents purchase orders and commitments at year end that, with the approval of Council, are carried forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1 million each year to become a part of appropriated fund balance in the following year.

Proprietary Funds. Chapel Hill's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$7.6 million for the Transit Fund, \$2.5 million for the Housing Operating Fund and \$2.1 million for the Stormwater Management Fund. With the completion of the parking deck at 140 West, the Parking Facilities Fund shows an anticipated decrease in overall net position of \$301,000, comprised of a deficit in unrestricted net position of \$3.0 million with \$3.5 million invested in capital assets, net of related debt. Other factors concerning the finances of these funds are addressed in the discussion of the Town of Chapel Hill's business-type activities.

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, 2015, capital assets totaled \$163,706,876 compared with \$171,584,973 in the prior fiscal year, with the overall decrease the result of accumulated depreciation in excess of additions for the year. These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, vehicles and other equipment.

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 27,328,900	\$ 27,328,900	\$ 6,962,311	\$ 6,962,311	\$ 34,291,211	\$ 34,291,211
Easements	136,836	107,407	-	-	136,836	107,407
Land improvements	14,857,810	14,946,078	3,112,794	3,347,150	17,970,604	18,293,228
Infrastructure	11,064,219	12,501,832	-	-	11,064,219	12,501,832
Buildings and building improvements	48,819,699	52,324,495	19,336,295	20,946,663	68,155,994	73,271,158
Equipment	1,995,602	1,542,341	467,311	575,720	2,462,913	2,118,061
Vehicles	4,997,988	4,243,270	16,680,438	19,018,782	21,678,426	23,262,052
Construction in progress	7,660,462	7,613,966	286,211	126,058	7,946,673	7,740,024
Total	\$ 116,861,516	\$120,608,289	\$ 46,845,360	\$ 50,976,684	\$ 163,706,876	\$171,584,973

Management's Discussion and Analysis

Long-term Debt. As shown in Figure 5, as of June 30, 2015 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$25,662,000. The Town also had \$22,350,000 of debt in limited obligation bonds to refund certificates of participation for funding construction of the Town Operations Center and construction of the Wallace Parking Deck, to refund installment notes for parks construction projects and to fund Parking projects and renovations to the Town Operations Center. Total debt of about \$82 million includes the addition of other postemployment benefits totaling \$25.1 million as required by GASB 45, representing the unfunded portion of the Town's annual required contribution (ARC) toward funding the future liability for health care for retired employees. For more information on this addition to the financial statements, please refer to page 72 of the Notes to the Financial Statements.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 25,662,000	\$ 28,141,000	\$ -	\$ -	\$ 25,662,000	\$ 28,141,000
Limited obligation bonds	22,350,000	24,465,000	-	-	22,350,000	24,465,000
Installment notes payable	5,456,766	3,890,775	-	-	5,456,766	3,890,775
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	307,861	241,947	-	-	307,861	241,947
Compensated absences	2,536,296	2,468,224	618,295	606,610	3,154,591	3,074,834
Other postemployment benefits	17,058,682	14,424,872	8,039,562	6,740,980	25,098,244	21,165,852
Total	\$ 73,494,751	\$ 73,754,964	\$ 8,657,857	\$ 7,347,590	\$ 82,152,608	\$ 81,102,554

The Town's total debt from governmental activities decreased by \$260,000 or 0.4%, to \$73.5 million during the past fiscal year. The decrease represents payments made during the year toward general obligation bonds and limited obligation bonds and other debt netted with the annual increase in other postemployment benefits offset by the addition of an installment notes payable of \$2.395 million to fund various capital fund projects.

Business-type debt increased by about \$1.3 million to \$8.7 million, a net of the addition to post-employment benefits and the payments made during the year. During the year, there was also a slight increase in the debt recorded for variation in compensated absences due to employees.

As mentioned in the financial highlights section of this document, at June 30, 2015 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.

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 \$570 million, well above the town's

Management's Discussion and Analysis

outstanding debt for general obligation bonds of approximately \$25.7 million, which is about 4.3% 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 57 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 4.9% at June 30, 2015, below the state average of 6%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities:

General Fund revenues budgeted for FY16 total \$61.7 million, including the use of \$2.7 million in fund balance, reflecting a 5.9% increase from the budget for 2014-15. Property values were last reassessed by Orange County in 2009, with revaluation historically occurring every four years. Based on the scarcity of sales upon which to base a new valuation, Orange County has decided to delay revaluation until 2016-17. The Town's tax rate remained the same for 2015-16 broken down as follows in cents per \$100 valuation: General Fund 38.8 cents, Debt Service Fund 7.5 cents and Transit Fund 5.1 cents.

Tax collection rates in Orange County have been maintained in excess of 99% despite the economic downturn. The continuation of collection rates, tax rate increase and recent growth lead to estimates of an increase of about \$500,000 over 2014-15 for the General Fund. The delay in the issuance of approved bonds in 2010 allowed for the payoff of existing debt, and the savings achieved through refunding existing debt in FY13 and FY14 enabled the Debt Fund to meet debt service requirements with appropriated fund balance.

Sales taxes are budgeted at \$12.1 million, a 10.9% increase from 2014-15's budget as we anticipate a continuation of economic recovery. Licenses, permits and fines project a 55.8% increase as a result of a significant boom in construction and the institution of new fire inspection fees. We expect continued increase in charges for services, while other General Fund revenues are relatively flat.

General Fund expenditures of \$61.7 million represent a 5.9% increase from 2014-15. The goals of the budget for 2015-16 were to maintain the tax rate while retaining core services, to retain employees and to reduce the use of fund balance to achieve a more sustainable budget as the economic recovery is expected to continue. The budget maintains service levels and includes an 8.5% decrease in medical insurance costs, a reduction in retiree health costs, and a slight increase in the employer's contribution to the Local Government Employees Retirement System. The budget also includes funding for a 2% raise in July 2015 and another 2% raise in January 2016 in employee pay.

The allocation for capital improvements, remained steady at \$778,000 from \$779,000, to allow for capital maintenance and some facility improvements.

Management's Discussion and Analysis

Debt service costs in 2015-16 are budgeted at \$7.6 million, with a \$1.2 million contribution to reserve, while sequestration slightly reduced the interest rate subsidy for Build America Bonds the Town continues to receive an interest subsidy of \$168,000 to recoup some of the expense. The Debt Service tax rate of 8.5 cents per \$100 in valuation is expected to generate about \$6.5 million.

Other governmental activities budgeted for 2015-16 reflect a continuation of existing service levels in keeping with the budget goals for FY16.

Business – type Activities:

The Transit Fund's 2015-16 budget of \$20.8 million continues the fare-free system with an increase in contributions from the system partners, the University of North Carolina and Town of Carrboro. With the additional cent on the tax rate starting in the FY 2013-14 budget, the Transit Fund's portion of property taxes is budgeted at \$3.9 million. The Transit budget includes \$1.7 million in new vehicles fees levied by Orange County. Overall the Transit budget increased 1.3% over the 2014-15 budget.

The Parking Facilities Fund budget decreased 3% overall from 2014-15 based on the reduction in one-time costs associated with opening the 140 West garage and cost cutting measures put into place to help manage the new 140 West debt payments.

Housing Operating revenues reflect an increase in HUD contributions of 2% and an increase in rental income of 6%. Planned usage of fund balance in the amount of \$105,909 was budgeted for capital repairs at several of the housing units.

Stormwater Management's budget for 2015-includes a fee increase of \$1.40 per Equivalent Rate Unit, bring the fee to \$26.15 and providing an additional 5.6% increase in fees budgeted. Expenditures include funding for a large capital project, a culvert replacement on Elliot Road totaling \$750,000, requiring the use of \$135,000 in fund balance.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 36,522,513	\$ 18,367,483	\$ 54,889,996	\$ 24,421,987
Taxes receivable, net	125,838	15,495	141,333	-
Accounts receivable, net	478,849	1,405,234	1,884,083	5,222,612
Due from other governments	5,850,686	2,366,431	8,217,117	-
Internal balances	3,383,282	(3,383,282)	-	-
Inventories	82,050	1,040,643	1,122,693	902,288
Prepaid items	49,357	5,188	54,545	18,422
Restricted cash and cash equivalents	2,508,907	115,987	2,624,894	8,074,023
Total current assets	49,001,482	19,933,179	68,934,661	38,639,332
Non-current assets:				
Restricted cash and cash equivalents	9,555,160	-	9,555,160	222,470
Net pension asset	2,469,336	1,081,112	3,550,448	709,819
Capital assets (Note F):				
Land and construction in progress	35,126,198	7,248,522	42,374,720	43,620,491
Other capital assets, net of accumulated depreciation	81,735,318	39,596,838	121,332,156	256,383,976
Total capital assets	116,861,516	46,845,360	163,706,876	300,004,467
Total non-current assets	128,886,012	47,926,472	176,812,484	300,936,756
Total assets	177,887,494	67,859,651	245,747,145	339,576,088
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current year	1,705,047	746,494	2,451,541	519,888
Deferred charge on refunding	-	-	-	2,496,464
Total deferred outflows of resources	1,705,047	746,494	2,451,541	3,016,352
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,587,538	1,159,000	4,746,538	1,751,078
Other liabilities	-	67,046	67,046	-
Liabilities payable from restricted assets	915,006	115,987	1,030,993	3,189,640
Current portion of long-term liabilities	7,106,335	590,376	7,696,711	7,144,696
Total current liabilities	11,608,879	1,932,409	13,541,288	12,085,414
Non-current liabilities:				
Due in more than one year	66,388,416	8,067,481	74,455,897	83,280,537
Total non-current liabilities	66,388,416	8,067,481	74,455,897	83,280,537
Total liabilities	77,997,295	9,999,890	87,997,185	95,365,951
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	175,851	-	175,851	-
Pension deferrals	6,077,561	2,660,844	8,738,405	1,682,756
Total deferred inflows of resources	6,253,412	2,660,844	8,914,256	1,682,756
NET POSITION				
Net investment in capital assets	74,223,378	46,845,360	121,068,738	218,421,756
Restricted for:				
Stabilization by State Statute	17,656,143	-	17,656,143	-
Capital projects	2,769,487	-	2,769,487	-
Public housing	127,623	-	127,623	-
Other functions	833,015	-	833,015	-
Water and sewer	-	-	-	222,470
Unrestricted	(267,812)	9,100,051	8,832,239	26,899,507
Total net position	\$ 95,341,834	\$ 55,945,411	\$ 151,287,245	\$ 245,543,733

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 10,195,729	\$ 1,747,363	\$ -	\$ -	\$ (8,448,366)	\$ -	\$ (8,448,366)	\$ -
Environment and development	20,231,149	2,838,720	2,343,069	346,064	(14,703,296)	-	(14,703,296)	-
Public safety	21,007,366	413,873	1,158,731	-	(19,434,762)	-	(19,434,762)	-
Leisure activities	11,239,822	1,045,413	711,614	476,120	(9,006,675)	-	(9,006,675)	-
Interest expense	2,168,703	-	-	-	(2,168,703)	-	(2,168,703)	-
Total governmental activities	64,842,769	6,045,369	4,213,414	822,184	(53,761,802)	-	(53,761,802)	-
Business-type activities:								
Transportation	21,803,767	1,499,429	14,327,136	5,429	-	(5,971,773)	(5,971,773)	-
Parking Facilities	1,901,853	2,500,498	-	-	-	598,645	598,645	-
Housing Operations	2,514,173	910,630	1,183,160	-	-	(420,383)	(420,383)	-
Stormwater Management	1,649,076	2,139,161	-	-	-	490,085	490,085	-
Total business-type activities	27,868,869	7,049,718	15,510,296	5,429	-	(5,303,426)	(5,303,426)	-
Total primary government	\$ 92,711,638	\$ 13,095,087	\$ 19,723,710	\$ 827,613	(53,761,802)	(5,303,426)	(59,065,228)	-
Component unit - Orange Water and Sewer Authority	\$ 31,716,920	\$ 36,960,842	\$ -	\$ 1,374,711	-	-	-	6,618,633
General revenues:								
Property taxes					35,617,280	3,798,723	39,416,003	-
Sales tax					11,444,089	-	11,444,089	-
Occupancy tax					1,100,478	-	1,100,478	-
Other taxes					65,384	-	65,384	-
Grants and contributions not restricted to specific programs:								
Intergovernmental					5,344,082	-	5,344,082	-
Investment earnings					39,476	18,067	57,543	15,133
Miscellaneous					3,307,397	117,907	3,425,304	1,429,244
Total general revenues not including transfers					56,918,186	3,934,697	60,852,883	1,444,377
Transfers					946,753	(946,753)	-	-
Total general revenues, proceeds and transfers					57,864,939	2,987,944	60,852,883	1,444,377
Change in net position					4,103,137	(2,315,482)	1,787,655	8,063,010
Net position, beginning, previously reported					94,706,937	59,779,339	154,486,276	238,397,316
Restatement					(3,468,240)	(1,518,446)	(4,986,686)	(916,593)
Net position, beginning, restated					91,238,697	58,260,893	149,499,590	237,480,723
Net position - ending					\$ 95,341,834	\$ 55,945,411	\$ 151,287,245	\$ 245,543,733

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

MAJOR FUNDS

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

GOVERNMENTAL FUNDS

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

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

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

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

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

BUSINESS-TYPE FUNDS

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

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

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

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

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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 25,138,327	\$ 1,875,429	\$ 2,738,913	\$ 4,560,794	\$ 34,313,463
Receivables:					
Due from other funds	-	3,585,481	-	-	3,585,481
Property taxes, net	100,008	25,830	-	-	125,838
Governmental units and agencies	5,222,097	-	106,970	521,619	5,850,686
Other	428,084	-	-	30,000	458,084
Inventories	1,599	-	-	16,538	18,137
Prepaid items	49,357	-	-	-	49,357
Restricted cash and equivalents	495,349	-	8,444,867	614,944	9,555,160
TOTAL ASSETS	31,434,821	5,486,740	11,290,750	5,743,895	53,956,206
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 202,199	\$ 202,199
Accounts payable	1,802,504	8,500	-	136,900	1,947,904
Accrued liabilities	1,010,879	-	-	8,662	1,019,541
Accounts payable from restricted assets	180,390	-	65,924	37,409	283,723
Other payables from restricted assets	314,959	-	190,316	126,008	631,283
Total liabilities	3,308,732	8,500	256,240	511,178	4,084,650
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	12,435	25,830	-	-	38,265
Fees and charges receivable	113,755	-	-	-	113,755
Prepaid taxes	175,851	-	-	-	175,851
Total deferred inflows of resources	302,041	25,830	-	-	327,871

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Nonspendable					
Inventories	\$ 1,599	\$ -	\$ -	\$ 16,538	\$ 18,137
Prepaid items	49,357	-	-	-	49,357
Restricted					
Stabilization by State Statute	8,825,428	3,585,481	2,273,181	2,972,053	17,656,143
Employee appreciation	93,049	-	-	-	93,049
Parks capital projects	89,712	-	3,081,580	-	3,171,292
Streets capital projects	233,158	-	2,026,053	16,689	2,275,900
Municipal buildings projects	-	-	5,280,387	-	5,280,387
Public housing	-	-	-	127,623	127,623
Public safety	217,530	-	500,000	22,436	739,966
Transit capital purchases	-	-	-	18,317	18,317
Infrastructure capital projects	-	-	-	214,996	214,996
Library	-	-	101,331	152,131	253,462
Committed					
Debt service payments	-	5,452,410	-	-	5,452,410
Municipal buildings projects	-	-	-	119,300	119,300
Technology capital projects	-	-	25,202	780,001	805,203
Fire capital projects	-	-	-	637,093	637,093
Public housing	-	-	-	599,938	599,938
Economic development	-	-	19,957	108,152	128,109
Assigned					
Subsequent year's expenditures	2,705,364	-	-	135,237	2,840,601
Other post employment benefits	1,758,000	-	-	-	1,758,000
Parks capital projects	-	-	-	506,877	506,877
Workforce Development	242,528	-	-	-	242,528
Municipal buildings projects	-	-	-	612,849	612,849
Economic development	233,377	-	-	-	233,377
Technology capital projects	-	-	-	43,800	43,800
Unassigned	13,374,946	(3,585,481)	(2,273,181)	(1,851,313)	5,664,971
Total fund balances	<u>27,824,048</u>	<u>5,452,410</u>	<u>11,034,510</u>	<u>5,232,717</u>	<u>49,543,685</u>
TOTAL LIABILITIES, DEFERRED					
INFLOWS AND FUND BALANCES	<u>\$ 31,434,821</u>	<u>\$ 5,486,740</u>	<u>\$ 11,290,750</u>	<u>\$ 5,743,895</u>	<u>\$ 53,956,206</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, 2015

Fund balances - total governmental funds		\$ 49,543,685
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	182,849,331	
Less accumulated depreciation	<u>70,071,205</u>	112,778,126
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, certificates of participation and installment purchases	(50,407,000)	
Other postemployment benefits	(16,746,356)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(307,861)	
Accrued vacation payable	<u>(2,513,510)</u>	(70,097,873)
Net pension asset		2,426,616
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,675,550
Pension related deferrals		(5,972,419)
Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.		152,020
Internal service funds are used by management to charge the costs of certain activities to individual funds		
The assets and liabilities of the internal service funds that are reported within governmental activities		<u>4,836,129</u>
Net position of governmental activities		<u>\$ 95,341,834</u>

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
REVENUES					
Taxes	\$ 41,622,075	\$ 6,327,892	\$ -	\$ 277,264	\$ 48,227,231
Licenses and permits	2,392,108	-	-	-	2,392,108
Fines and forfeitures	74,682	-	-	-	74,682
Intergovernmental revenues					
Federal government	-	169,184	71,530	1,024,147	1,264,861
State government	8,045,678	-	(22,504)	13,702	8,036,876
Other	669,968	-	306,936	101,039	1,077,943
Charges for services	3,475,157	-	-	-	3,475,157
Interest on investments	29,780	5,030	853	3,813	39,476
Franchise rental fees	-	-	-	72,423	72,423
Program income	-	-	-	30,999	30,999
Donations	107,249	-	-	110,654	217,903
Revenue in lieu	109,082	-	-	423,108	532,190
Mutual aid reimbursements	491,958	-	-	-	491,958
Insurance recovery	11,978	-	-	24,623	36,601
Other	319,605	-	1,692,474	16,666	2,028,745
Total revenues	57,349,320	6,502,106	2,049,289	2,098,438	67,999,153
EXPENDITURES					
General government	9,589,280	-	-	-	9,589,280
Environment and development	14,132,526	-	-	1,208,211	15,340,737
Public safety	20,318,420	-	-	43,622	20,362,042
Leisure activities	8,671,427	-	-	101,399	8,772,826
Capital projects	-	-	1,635,401	2,061,106	3,696,507
Debt service:					
Principal	-	4,594,000	-	-	4,594,000
Interest and fiscal charges	-	2,168,703	-	-	2,168,703
Total expenditures	52,711,653	6,762,703	1,635,401	3,414,338	64,524,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,637,667	(260,597)	413,888	(1,315,900)	3,475,058

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
OTHER FINANCING SOURCES (USES)					
Issuance of debt	\$ -	\$ -	\$ 2,395,000	\$ -	\$ 2,395,000
Transfer from other funds	45,000	909,081	671,000	2,364,782	3,989,863
Transfer to other funds	(2,998,110)	-	-	(45,000)	(3,043,110)
Total other financing sources (uses)	(2,953,110)	909,081	3,066,000	2,319,782	3,341,753
NET CHANGE IN TOTAL FUND BALANCES	1,684,557	648,484	3,479,888	1,003,882	6,816,811
FUND BALANCES, BEGINNING	26,139,491	4,803,926	7,554,622	4,228,835	42,726,874
FUND BALANCES, ENDING	\$ 27,824,048	\$ 5,452,410	\$ 11,034,510	\$ 5,232,717	\$ 49,543,685

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

TOWN OF CHAPEL HILL, NORTH CAROLINA**Exhibit 6****GOVERNMENTAL FUNDS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES****Year Ended June 30, 2015**Net change in fund balances - total governmental funds \$ 6,816,811

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	2,714,345	
Current year's depreciation	<u>6,430,269</u>	(3,715,924)

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	4,594,000
--------------------	-----------

The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net position. (2,395,000)

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

Change in long-term compensated absences	(80,091)
Change in long-term separation allowance	(65,914)
Pension expense	(137,563)
Other postemployment benefits	(2,582,711)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 1,675,550

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (255,432)

Internal service funds are used by management to charge the costs of certain activities to individual funds 249,411

Change in net position of governmental activities \$ 4,103,137

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, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 29,495,000	\$ 29,495,000	\$ 29,012,124	\$ (482,876)
Local option sales taxes	10,875,600	10,875,600	11,444,089	568,489
Other taxes	1,044,000	1,044,000	1,165,862	121,862
Licenses and permits	2,116,452	2,123,952	2,392,108	268,156
Fines and forfeitures	32,050	32,050	74,682	42,632
Intergovernmental revenues	7,249,997	7,342,161	8,715,646	1,373,485
Charges for services	3,893,038	3,893,038	3,475,157	(417,881)
Interest on investments	21,000	21,000	29,780	8,780
Other	772,860	912,617	1,039,872	127,255
TOTAL REVENUES	55,499,997	55,739,418	57,349,320	1,609,902
EXPENDITURES				
General government	11,953,772	13,358,043	9,589,280	3,768,763
Environment and development	14,681,331	16,052,352	14,132,526	1,919,826
Public safety	21,634,269	21,919,283	20,318,420	1,600,863
Leisure activities	9,131,340	9,387,862	8,671,427	716,435
Total expenditures	57,400,712	60,717,540	52,711,653	8,005,887
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,900,715)	(4,978,122)	4,637,667	9,615,789
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	119,910	45,000	45,000	-
Transfer to other funds	(873,288)	(3,019,720)	(2,998,110)	21,610
Appropriated fund balance	2,654,093	7,952,842	-	(7,952,842)
Total other financing sources (uses)	1,900,715	4,978,122	(2,953,110)	(7,931,232)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,684,557	\$ 1,684,557
FUND BALANCE, BEGINNING			26,139,491	
FUND BALANCE, ENDING			\$ 27,824,048	

TOWN OF CHAPEL HILL, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 11,735,380	\$ 1,157,211	\$ 3,179,014	\$ 2,295,878
Restricted cash and cash equivalents	-	-	76,887	39,100
Receivables:				
Accounts receivable, net	958,229	26,452	4,205	416,348
Due from other funds	202,199	-	-	-
Governmental units and agencies	2,358,838	-	-	7,593
Property taxes, net	15,495	-	-	-
Prepaid items	518	-	-	4,670
Inventories	894,120	-	146,523	-
Total current assets	<u>16,164,779</u>	<u>1,183,663</u>	<u>3,406,629</u>	<u>2,763,589</u>
NONCURRENT ASSETS				
Net pension asset	906,430	50,416	69,944	54,322
Capital assets:				
Land and other non-depreciable assets	2,099,537	3,231,115	1,858,923	58,947
Other capital assets, net of accumulated depreciation	<u>29,887,965</u>	<u>284,881</u>	<u>8,512,228</u>	<u>911,764</u>
Total capital assets, net	<u>31,987,502</u>	<u>3,515,996</u>	<u>10,371,151</u>	<u>970,711</u>
Total noncurrent assets	<u>32,893,932</u>	<u>3,566,412</u>	<u>10,441,095</u>	<u>1,025,033</u>
TOTAL ASSETS	<u>49,058,711</u>	<u>4,750,075</u>	<u>13,847,724</u>	<u>3,788,622</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	<u>625,878</u>	<u>34,812</u>	<u>48,295</u>	<u>37,509</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	693,489	65,188	63,368	18,961
Accrued liabilities	258,374	13,138	21,062	25,420
Deposits payable from restricted assets	-	-	76,887	39,100
Due to other funds	-	3,585,481	-	-
Compensated absences	427,143	40,000	66,929	56,304
Unearned revenue	67,046	-	-	-
Installment purchase agreements	-	-	-	-
Total current liabilities	<u>1,446,052</u>	<u>3,703,807</u>	<u>228,246</u>	<u>139,785</u>
NONCURRENT LIABILITIES				
Compensated absences	21,846	1,900	4,173	-
Other postemployment benefits	6,429,147	480,607	606,602	523,206
Installment purchase agreements	-	-	-	-
Total noncurrent liabilities	<u>6,450,993</u>	<u>482,507</u>	<u>610,775</u>	<u>523,206</u>
Total liabilities	<u>7,897,045</u>	<u>4,186,314</u>	<u>839,021</u>	<u>662,991</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	<u>2,230,915</u>	<u>124,085</u>	<u>172,147</u>	<u>133,697</u>
NET POSITION				
Net investment in capital assets	31,987,502	3,515,996	10,371,151	970,711
Unrestricted	<u>7,569,127</u>	<u>(3,041,508)</u>	<u>2,513,700</u>	<u>2,058,732</u>
Total net position	<u>\$ 39,556,629</u>	<u>\$ 474,488</u>	<u>\$ 12,884,851</u>	<u>\$ 3,029,443</u>

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

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2015	2014	2015	2014
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 18,367,483	\$ 17,609,923	\$ 2,209,050	\$ 2,421,740
Restricted cash and cash equivalents	115,987	75,653	2,508,907	2,504,930
Receivables:			-	
Accounts receivable, net	1,405,234	531,733	20,765	18,725
Due from other funds	202,199	134,321	-	-
Governmental units and agencies	2,366,431	2,581,148	-	-
Property taxes, net	15,495	24,402	-	-
Prepaid items	5,188	-	-	-
Inventories	1,040,643	801,726	63,913	38,846
Total current assets	<u>23,518,660</u>	<u>21,758,906</u>	<u>4,802,635</u>	<u>4,984,241</u>
NONCURRENT ASSETS				
Net pension asset	1,081,112		42,720	-
Capital assets:				
Land and other non-depreciable assets	7,248,522	7,088,369	-	-
Other capital assets, net of accumulated depreciation	39,596,838	43,888,315	4,083,390	4,114,239
Total capital assets, net	<u>46,845,360</u>	<u>50,976,684</u>	<u>4,083,390</u>	<u>4,114,239</u>
Total noncurrent assets	<u>47,926,472</u>	<u>50,976,684</u>	<u>4,126,110</u>	<u>4,114,239</u>
TOTAL ASSETS	<u>71,445,132</u>	<u>72,735,590</u>	<u>8,928,745</u>	<u>9,098,480</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	746,494	-	29,497	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	841,006	664,931	611,723	252,740
Accrued liabilities	317,994	301,824	8,370	12,215
Deposits payable from restricted assets	115,987	75,653	-	-
Due to other funds	3,585,481	4,524,801	-	-
Compensated absences	590,376	582,384	22,786	31,504
Unearned revenue	67,046	41,452	-	-
Installment purchase agreements	-	-	848,006	829,004
Total current liabilities	<u>5,517,890</u>	<u>6,191,045</u>	<u>1,490,885</u>	<u>1,125,463</u>
NONCURRENT LIABILITIES				
Compensated absences	27,919	24,226	-	3,301
Other postemployment benefits	8,039,562	6,740,980	312,326	261,227
Installment purchase agreements	-	-	2,213,760	3,061,771
Total noncurrent liabilities	<u>8,067,481</u>	<u>6,765,206</u>	<u>2,526,086</u>	<u>3,326,299</u>
Total liabilities	<u>13,585,371</u>	<u>12,956,251</u>	<u>4,016,971</u>	<u>4,451,762</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	2,660,844	-	105,142	-
NET POSITION				
Net investment in capital assets	46,845,360	50,976,684	3,530,531	2,728,394
Unrestricted	9,100,051	8,802,655	1,305,598	1,918,324
Total net position	<u>\$ 55,945,411</u>	<u>\$ 59,779,339</u>	<u>\$ 4,836,129</u>	<u>\$ 4,646,718</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, 2015 (With Comparative Totals as of June 30, 2014)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 1,043,681	\$ 2,500,498	\$ 910,630	\$ 2,139,161
OPERATING EXPENSES				
Personnel	11,283,811	880,063	1,075,973	1,053,728
Drainage maintenance	-	-	-	181,968
Depreciation and amortization	3,683,050	256,393	646,246	61,642
Fuel and tires	2,018,039	-	-	-
Indirect costs	1,006,972	83,437	-	97,778
Maintenance and repairs	-	32,472	421,272	-
Building maintenance	503,572	-	-	-
Vehicle maintenance	1,800,110	-	-	-
Utilities	-	-	175,238	-
Insurance	343,308	-	-	-
Advertising and marketing	86,598	-	-	-
Professional services	-	-	-	68,984
Contracted services	506,737	63,113	-	68,190
Tarheel Express	219,803	-	-	-
Uniforms and supplies	102,025	-	-	-
Credit card fees	-	103,071	-	-
Rent	-	277,038	-	55,841
Other	249,742	206,266	195,444	60,945
Total operating expenses	21,803,767	1,901,853	2,514,173	1,649,076
OPERATING INCOME (LOSS)	(20,760,086)	598,645	(1,603,543)	490,085
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,810,536	-	1,183,160	-
State Operating Assistance Grant	2,407,979	-	-	-
Local Operating Assistance Grant	12,000	-	-	7,200
Operating assistance-UNC Chapel Hill	7,765,808	-	-	-
Operating assistance-Town of Carrboro	1,472,508	-	-	-
Operating assistance - TTA Vehicle Fees	851,105	-	-	-
Vehicle licenses	455,748	-	-	-
Ad valorem taxes	3,798,723	-	-	-
Interest on investments	11,918	1,800	2,055	2,294
Insurance recovery	59,908	7,956	49,612	-
Interest expense	-	-	-	-
Gain (loss) on sale of capital assets	-	-	431	-
Revenue in lieu	-	-	-	-
Total nonoperating revenues (expenses), net	18,646,233	9,756	1,235,258	9,494
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,113,853)	608,401	(368,285)	499,579
CAPITAL CONTRIBUTIONS	5,429	-	-	-
TRANSFERS				
Transfers in	-	-	-	5,741
Transfers out	(43,413)	(909,081)	-	-
Total transfers	(43,413)	(909,081)	-	5,741
CHANGE IN NET POSITION	(2,151,837)	(300,680)	(368,285)	505,320
NET POSITION, PREVIOUSLY REPORTED	42,981,567	845,979	13,351,374	2,600,419
RESTATEMENT	(1,273,101)	(70,811)	(98,238)	(76,296)
NET POSITION, RESTATED	41,708,466	775,168	13,253,136	2,524,123
NET POSITION, ENDING	\$ 39,556,629	\$ 474,488	\$ 12,884,851	\$ 3,029,443

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, 2015 (With Comparative Totals as of June 30, 2014)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2015	2014	2015	2014
OPERATING REVENUES				
Charges for services	\$ 6,593,970	\$ 6,417,233	\$ 2,927,172	\$ 2,905,668
OPERATING EXPENSES				
Personnel	14,293,575	14,032,869	524,869	585,306
Drainage maintenance	181,968	265,418	-	-
Depreciation and amortization	4,647,331	5,250,617	1,205,268	1,281,145
Fuel and tires	2,018,039	1,952,117	-	-
Indirect costs	1,188,187	1,144,071	-	-
Maintenance and repairs	453,744	992,635	-	-
Building maintenance	503,572	515,789	-	-
Vehicle maintenance	1,800,110	1,388,008	-	-
Utilities	175,238	170,846	-	-
Insurance	343,308	342,128	-	-
Advertising and marketing	86,598	89,482	-	-
Professional services	68,984	81,998	-	-
Contracted services	638,040	470,868	-	-
Tarheel Express	219,803	234,846	-	-
Uniforms and supplies	102,025	96,217	-	-
Credit card fees	103,071	95,669	-	-
Rent	332,879	293,379	-	-
Other	712,397	786,455	930,594	895,289
Total operating expenses	27,868,869	28,203,412	2,660,731	2,761,740
OPERATING INCOME (LOSS)	(21,274,899)	(21,786,179)	266,441	143,928
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,993,696	3,317,652	-	-
State Operating Assistance Grant	2,407,979	2,773,270	-	-
Local Operating Assistance Grant	19,200	12,000	-	-
Operating assistance-UNC Chapel Hill	7,765,808	7,364,487	-	-
Operating assistance-Town of Carrboro	1,472,508	1,396,423	-	-
Operating assistance - TTA Vehicle Fees	851,105	353,400	-	-
Vehicle licenses	455,748	579,266	-	-
Ad valorem taxes	3,798,723	3,794,976	-	-
Interest on investments	18,067	15,644	6,302	5,615
Insurance recovery	117,476	247,571	11,694	42,817
Interest expense	-	-	(77,824)	(95,946)
Gain (loss) on sale of capital assets	431	7,270	42,798	157,259
Revenue in lieu	-	33,500	-	-
Total nonoperating revenues (expenses), net	19,900,741	19,895,459	(17,030)	109,745
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,374,158)	(1,890,720)	249,411	253,673
CAPITAL CONTRIBUTIONS	5,429	2,253,820	-	-
TRANSFERS				
Transfers in	5,741	10,774	-	-
Transfers out	(952,494)	(1,210,824)	-	-
Total transfers	(946,753)	(1,200,050)	-	-
CHANGE IN NET POSITION	(2,315,482)	(836,950)	249,411	253,673
NET POSITION, PREVIOUSLY REPORTED	59,779,339	60,616,289	4,646,718	4,393,045
RESTATEMENT	(1,518,446)	-	(60,000)	-
NET POSITION, RESTATED	58,260,893	60,616,289	4,586,718	4,393,045
NET POSITION, ENDING	\$ 55,945,411	\$ 59,779,339	\$ 4,836,129	\$ 4,646,718

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, 2015 (With Comparative Totals as of June 30, 2014)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 386,210	\$ 2,511,292	\$ 911,509	\$ 2,070,038
Payments to employees	(10,745,060)	(843,908)	(1,019,758)	(1,018,026)
Payments to suppliers	(6,822,300)	(772,498)	(836,276)	(527,419)
Net cash provided by (used in) operating activities	(17,181,150)	894,886	(944,525)	524,593
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	4,230,515	-	1,183,160	-
Transit partner assistance received	10,089,421	-	-	-
Operating assistance received	-	-	-	7,200
Taxes and licenses received	4,254,471	-	-	-
Transfers to other funds	(43,413)	(909,081)	-	-
Transfers from other funds	-	-	-	5,741
Loan from special revenue fund	-	-	(939,320)	-
Loan from debt service fund	-	-	-	-
Revenue in lieu received	-	-	-	-
Net cash provided by (used in) noncapital financing activities	18,530,994	(909,081)	243,840	12,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	-
Principal paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Interest paid on Certificates of Participation and installment purchase agreements	-	-	-	-
Proceeds from sale of capital assets	-	-	431	-
Capital contributions	5,429	-	-	-
Proceeds from insurance recovery	59,908	1,800	49,612	-
Acquisition and construction of capital assets	(177,452)	(81,795)	(170,407)	(86,353)
Net cash provided by (used in) capital and related financing activities	(112,115)	(79,995)	(120,364)	(86,353)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	11,918	7,956	2,055	2,294
Net cash provided by investing activities	11,918	7,956	2,055	2,294

Continued

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 5,879,049	\$ 6,406,672	\$ 2,925,132	\$ 3,038,917
Payments to employees	(13,626,752)	(12,736,603)	(516,709)	(532,675)
Payments to suppliers	(8,958,493)	(8,860,135)	(596,678)	(831,575)
Net cash provided by (used in) operating activities	(16,706,196)	(15,190,066)	1,811,745	1,674,667
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	5,413,675	6,102,922	-	-
Transit partner assistance received	10,089,421	9,114,310	-	-
Operating assistance received	7,200	-	-	-
Taxes and licenses received	4,254,471	4,374,242	-	-
Transfers to other funds	(952,494)	(1,210,824)	-	-
Transfers from other funds	5,741	10,774	-	-
Loan from special revenue fund	(939,320)	791,815	-	-
Loan from debt service fund	-	-	-	-
Revenue in lieu received	-	33,500	-	-
Net cash provided by (used in) noncapital financing activities	17,878,694	19,216,739	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from installment purchase agreements	-	-	-	872,000
Principal paid on Certificates of Participation and installment purchase agreements	-	-	(829,009)	(1,048,891)
Interest paid on Certificates of Participation and installment purchase agreements	-	-	(77,824)	(95,946)
Proceeds from sale of capital assets	431	7,270	43,725	161,312
Capital contributions	5,429	2,253,820	-	-
Proceeds from insurance recovery	111,320	247,571	11,694	42,817
Acquisition and construction of capital assets	(516,007)	(2,614,356)	(1,175,346)	(947,881)
Net cash provided by (used in) capital and related financing activities	(398,827)	(105,695)	(2,026,760)	(1,016,589)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	24,223	15,644	6,302	5,615
Net cash provided by investing activities	24,223	15,644	6,302	5,615

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,249,647	(86,234)	(818,994)	453,475
CASH AND INVESTMENTS, BEGINNING	10,485,733	1,243,445	4,074,895	1,881,503
CASH AND INVESTMENTS, ENDING	<u>\$ 11,735,380</u>	<u>\$ 1,157,211</u>	<u>\$ 3,255,901</u>	<u>\$ 2,334,978</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (20,760,086)	\$ 598,645	\$ (1,603,543)	\$ 490,085
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,683,050	256,393	646,246	61,642
Pension expense	51,384	2,858	3,965	3,079
Changes in assets and liabilities:				
Receivables	(657,471)	10,794	(1,955)	(69,123)
Prepaid items	(518)	-	-	(4,670)
Inventories	(214,778)	-	(24,139)	-
Accounts payable	229,902	(7,101)	(20,183)	10,957
Accrued liabilities	41,986	355	(561)	(16)
Customer deposits	-	-	2,834	-
Accrued compensated absences	18,009	(3,978)	(603)	(1,743)
Accrued OPEB liability	1,053,250	71,732	101,709	71,891
(Increase) decrease in deferred outflows of resources for pensions	(625,878)	(34,812)	(48,295)	(37,509)
Net cash provided by (used in) operating activities	<u>\$ (17,181,150)</u>	<u>\$ 894,886</u>	<u>\$ (944,525)</u>	<u>\$ 524,593</u>

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

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2015	2014	2015	2014
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	797,894	3,936,622	(208,713)	663,693
CASH AND INVESTMENTS, BEGINNING	17,685,576	13,748,954	4,926,670	4,262,977
CASH AND INVESTMENTS, ENDING	\$ 18,483,470	\$ 17,685,576	\$ 4,717,957	\$ 4,926,670
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (21,274,899)	\$ (21,786,179)	\$ 266,441	\$ 143,928
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,647,331	5,250,617	1,205,268	1,281,145
Pension expense	61,286			
Changes in assets and liabilities:				
Receivables	(717,755)	(17,093)	(2,040)	133,249
Prepaid items	(5,188)	524	-	-
Inventories	(238,917)	54,886	(25,067)	55,699
Accounts payable	213,575	4,381	358,983	8,015
Accrued liabilities	41,764	4,404	(3,845)	686
Customer deposits	2,834	6,532	-	-
Accrued compensated absences	11,685	15,594	(12,019)	(142)
Accrued OPEB liability	1,298,582	1,276,268	51,099	52,087
(Increase) decrease in deferred outflows of resources for pensions	(746,494)	-	(27,075)	-
Net cash provided by (used in) operating activities	\$ (16,706,196)	\$ (15,190,066)	\$ 1,811,745	\$ 1,674,667

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

This page intentionally left blank.

**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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. 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. For the most part, the effect of interfund activity has been removed from these statements. 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. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate financial statements are provided for governmental funds and proprietary funds. The Town has no fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following non-major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

The Town reports four proprietary funds:

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

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

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

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

Additionally, 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.

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 and Proprietary Fund Financial Statements: The government-wide and proprietary 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 met.

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

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

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

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

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

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

4. Budgetary Data

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

Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in multi-year funds. The Town Council must approve amendments at the functional level of the General Fund and at the project level in all other funds. The budgets in the supplemental section represent the budget as amended through June 30, 2015.

The Council's schedule for developing the 2014-15 budget included forums and hearings for citizens to express their views, raise questions and concerns and make comments on services, policies and funding items related to the budget. A forum was held in March and a public hearing was held in May. Additional work sessions were held in May and June. The budget was adopted by the Council on June 9, 2014.

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	
Library Gift Fund	X	
Debt Service Fund	X	
Capital Projects Funds		
Capital Projects Ordinance Fund		X
Transit Grant Projects Ordinance Fund		X
Public Housing Grants Project Ordinance Fund		X
Capital Projects Fund	X	
Capital Reserve Fund	X	
<u>Proprietary Fund Types</u>		
Enterprise Funds	X	
Internal Service Funds	X	

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

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

5. Deposits and Investments

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

State law [§159-30(c)] authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States;

obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

OWASA's investments with a maturity of more than one year at acquisition and nonmoney market investments are reported at cost or amortized cost, which approximates their fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

6. Cash and Cash Equivalents

The Town pools the cash resources of its funds to facilitate disbursement and investment and to maximize investment income. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as "cash and cash equivalents." A portion of the cash of the Housing Operations Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the Vehicle Replacement Internal Service Fund represents unspent loan proceeds restricted for the future purchase of equipment. Proceeds from the issuance of bonds and certificates of participation in the Capital Projects Ordinance Fund are restricted for capital projects. Also restricted are grants and donations in the Library Gift Fund, Capital Reserve Fund, Public Housing Capital Projects Fund and Transit Grants Project Ordinance Fund.

7. Restricted Assets

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

Government Activities:

General Fund		
Surety deposits	\$	495,349
Capital Projects Ordinance Fund		
Unspent bond proceeds		8,444,867
Capital Reserve Fund		
Capital project restrictions		214,996
Transit Capital Grants Fund		
Grant restrictions		18,317
Public Housing Capital Grants Fund		
Grant restrictions		13,787
Community Development Entitlement Fund		
Grant restrictions		50,184
Transitional Housing Fund		
Tenant deposits		14,950
Grants Fund		
Grant restrictions		47,027
Library Gift Fund		
Donation restrictions		255,683
Vehicle Replacement Fund		
Unspent loan proceeds		<u>2,508,907</u>
Total government activities	\$	<u>12,064,067</u>
Business-type Activities:		
Housing Fund		
Customer deposits	\$	76,887
Stormwater Fund		
Customer deposits		<u>39,100</u>
Total business-type activities	\$	<u>115,987</u>
Total Restricted Cash	\$	<u><u>12,180,054</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 1st, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes levied are based on the assessed values as of January 1, 2014.

9. Allowances for Doubtful Accounts

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

10. Inventories

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

11. Prepaid Items

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

12. Capital Assets

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

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

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

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 one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – prepaid taxes, fees and charges receivable, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

14. Long-term Obligations

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

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

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

15. Compensated Absences

The vacation policy of the Town and OWASA provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. At June 30, 2015, OWASA had recorded a liability for accrued vacation of \$516,863.

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 governmental-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 \$8,444,867 in Restricted Net Position between Exhibit 3, Governmental Funds Balance Sheet and Exhibit 1, Statement of Net Position is equal to unspent bond proceeds.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for employee appreciation – portion of fund balance that is restricted by revenue source for recognition of excellence in Town employees in honor of former Town Manager Cal Horton.

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, 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 other post-employment benefits – the portion of unencumbered fund balance intended to fund the Town's annual obligation for retiree medical care.

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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 first from restricted fund balance, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town's guideline for the General Fund is to maintain available fund balance equal to or greater than 12% of budgeted expenditures to provide for cash flow considerations and emergencies. Fund balance over 12% may be appropriated for one-time expenditures, but the general guideline directs that fund balance not be used to fund ongoing operations.

18. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. 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 LGERS. Investments are reported at fair value.

B. Deposits

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

Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage 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, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. 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, 2015, the Town's deposits had a carrying amount of \$59,941,962 and a bank balance of \$60,104,466. Of the bank balance, \$1,250,379 was covered by federal depository insurance, \$18,016,904 was covered by collateral held under the Dedicated Method and \$40,837,183 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$7,358 at year end.

At June 30, 2015, OWASA's deposits had a carrying amount of \$26,141,191 and a bank balance of \$26,248,464. Of the bank balance, \$2,280,139 was covered by federal depository insurance and \$23,968,325 in interest-bearing deposits was covered by collateral held under the pooling method. OWASA had cash on hand of \$2,696 at year end.

C. Investments

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

North Carolina General Statute 159-30(c) authorizes the Town and OWASA to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of

commercial paper and banker's acceptance; and The North Carolina Cash Management Trust, a SEC registered mutual fund.

At June 30, 2015, the Town of Chapel Hill had \$7,120,730 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's.

At June 30, 2015, OWASA had \$6,574,593 invested in mutual funds with the North Carolina Capital Management Trust.

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.

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. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations ("NRSROs"). The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015.

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, 2015 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 483,038	\$ -
Due from Federal Government	382,689	1,373,045
Due from State	4,613,634	738,713
Due from local governments	371,325	254,673
	<u>\$ 5,850,686</u>	<u>\$ 2,366,431</u>

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

Property taxes receivable	\$ 398,181	\$ -
Accounts receivable	7,002	25,005

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2015 follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,328,900	\$ -	\$ -	\$ 27,328,900
Easements	107,407	29,429	-	136,836
Construction in progress	7,613,966	2,488,479	2,441,983	7,660,462
Total capital assets, not being depreciated	<u>35,050,273</u>	<u>2,517,908</u>	<u>2,441,983</u>	<u>35,126,198</u>
Capital assets, being depreciated:				
Land improvements	21,272,402	924,122	-	22,196,524
Infrastructure	35,940,326	-	-	35,940,326
Buildings and building improvements	80,306,397	-	88,217	80,218,180
Equipment	6,345,336	862,581	-	7,207,917
Vehicles	15,211,803	2,027,063	349,525	16,889,341
Total capital assets, being depreciated	<u>159,076,264</u>	<u>3,813,766</u>	<u>437,742</u>	<u>162,452,288</u>
Accumulated depreciation:				
Land improvements	6,326,324	1,012,390	-	7,338,714
Infrastructure	23,438,494	1,437,613	-	24,876,107
Buildings and building improvements	27,981,902	3,504,796	88,217	31,398,481
Equipment	4,802,995	409,320	-	5,212,315
Vehicles	10,968,533	1,271,418	348,598	11,891,353
Total accumulated depreciation	<u>73,518,248</u>	<u>7,635,537</u>	<u>436,815</u>	<u>80,716,970</u>
Total capital assets, being depreciated, net	<u>85,558,016</u>	<u>(3,821,771)</u>	<u>927</u>	<u>81,735,318</u>
Governmental activities capital assets, net	<u>\$ 120,608,289</u>	<u>\$ (1,303,863)</u>	<u>\$ 2,442,910</u>	<u>\$ 116,861,516</u>

	July 1, 2014	Increases	Decreases	June 30, 2015
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
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	17,623,884	-	-	17,623,884
Equipment	2,018,522	28,696	-	2,047,218
Vehicles	40,731,682	148,756	-	40,880,438
Total capital assets, being depreciated	<u>66,348,096</u>	<u>177,452</u>	<u>-</u>	<u>66,525,548</u>
Accumulated depreciation:				
Land improvements	3,717,425	187,134	-	3,904,559
Buildings and building improvements	5,818,368	816,739	-	6,635,107
Equipment	1,685,026	195,861	-	1,880,887
Vehicles	21,733,714	2,483,316	-	24,217,030
Total accumulated depreciation	<u>32,954,533</u>	<u>3,683,050</u>	<u>-</u>	<u>36,637,583</u>
Total capital assets, being depreciated, net	<u>33,393,563</u>	<u>(3,505,598)</u>	<u>-</u>	<u>29,887,965</u>
Transit fund capital assets, net	<u>\$ 35,493,100</u>	<u>\$ (3,505,598)</u>	<u>\$ -</u>	<u>\$ 31,987,502</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 3,161,115	\$ -	\$ -	\$ 3,161,115
Construction in progress	-	70,000	-	70,000
Total capital assets, not being depreciated	<u>3,161,115</u>	<u>70,000</u>	<u>-</u>	<u>3,231,115</u>
Capital assets, being depreciated:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,284,441	11,795	-	7,296,236
Equipment	677,025	-	-	677,025
Total capital assets, being depreciated	<u>8,455,097</u>	<u>11,795</u>	<u>-</u>	<u>8,466,892</u>
Accumulated depreciation:				
Land improvements	382,445	12,077	-	394,522
Buildings and building improvements	7,100,310	182,880	-	7,283,190
Equipment	442,863	61,436	-	504,299
Total accumulated depreciation	<u>7,925,618</u>	<u>256,393</u>	<u>-</u>	<u>8,182,011</u>
Total capital assets, being depreciated, net	<u>529,479</u>	<u>(244,598)</u>	<u>-</u>	<u>284,881</u>
Parking facilities fund capital assets, net	<u>\$ 3,690,594</u>	<u>\$ (174,598)</u>	<u>\$ -</u>	<u>\$ 3,515,996</u>

	July 1, 2014	Increases	Decreases	June 30, 2015
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Construction in progress	83,255	157,264	83,255	157,264
Total capital assets, not being depreciated	<u>1,784,914</u>	<u>157,264</u>	<u>83,255</u>	<u>1,858,923</u>
Capital assets, being depreciated:				
Land improvements	323,376	13,143	-	336,519
Buildings and building improvements	22,802,072	-	-	22,802,072
Equipment	355,028	83,255	-	438,283
Vehicles	217,315	-	-	217,315
Total capital assets, being depreciated	<u>23,697,791</u>	<u>96,398</u>	<u>-</u>	<u>23,794,189</u>
Accumulated depreciation:				
Land improvements	239,130	13,971	-	253,101
Buildings and building improvements	13,845,056	622,544	-	14,467,600
Equipment	355,028	5,947	-	360,975
Vehicles	196,501	3,784	-	200,285
Total accumulated depreciation	<u>14,635,715</u>	<u>646,246</u>	<u>-</u>	<u>15,281,961</u>
Total capital assets, being depreciated, net	<u>9,062,076</u>	<u>(549,848)</u>	<u>-</u>	<u>8,512,228</u>
Housing operating fund capital assets, net	<u>\$ 10,846,990</u>	<u>\$ (392,584)</u>	<u>\$ 83,255</u>	<u>\$ 10,371,151</u>
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 42,803	\$ 16,144	\$ -	\$ 58,947
Total capital assets, not being depreciated	<u>42,803</u>	<u>16,144</u>	<u>-</u>	<u>58,947</u>
Capital assets, being depreciated:				
Land improvements	1,059,488	21,053	-	1,080,541
Equipment	19,325	49,156	-	68,481
Total capital assets, being depreciated	<u>1,078,813</u>	<u>70,209</u>	<u>-</u>	<u>1,149,022</u>
Accumulated depreciation:				
Land improvements	164,353	55,370	-	219,723
Equipment	11,263	6,272	-	17,535
Total accumulated depreciation	<u>175,616</u>	<u>61,642</u>	<u>-</u>	<u>237,258</u>
Total capital assets, being depreciated, net	<u>903,197</u>	<u>8,567</u>	<u>-</u>	<u>911,764</u>
Stormwater management fund capital assets, net	<u>\$ 946,000</u>	<u>\$ 24,711</u>	<u>\$ -</u>	<u>\$ 970,711</u>
Business-type activities capital assets, net	<u>\$ 50,976,684</u>	<u>\$ (4,048,069)</u>	<u>\$ 83,255</u>	<u>\$ 46,845,360</u>

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

Capital Assets - Detail I	
Governmental activities:	
General government	\$ 143,169
Environment and development	3,782,101
Public safety	236,327
Leisure activities	2,268,672
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,205,268
Total depreciation expense - governmental activities	<u>\$ 7,635,537</u>
Business-type activities:	
Transit	\$ 3,683,050
Parking facilities	256,393
Housing Operating	646,246
Stormwater Management	61,642
Total depreciation expense - business-type activities	<u>\$ 4,647,331</u>

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2015, follows:

	July 1, 2014	Increases	Decreases	Transfers	June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 17,605,354	\$ -	\$ -		\$ 17,605,354
Construction in progress	25,151,693	7,715,971	-	(6,852,527)	26,015,137
Total capital assets, not being depreciated	<u>42,757,047</u>	<u>7,715,971</u>	<u>-</u>	<u>(6,852,527)</u>	<u>43,620,491</u>
Capital assets, being depreciated:					
Water treatment and distribution	155,949,936	796,058	(358,380)	4,363,482	160,751,096
Sewer collection and treatment	197,654,384	658,950	-	1,945,603	200,258,937
Fixtures and equipment	41,862,800	695,845	(13,500)	543,442	43,088,587
Total capital assets, being depreciated	<u>395,467,120</u>	<u>2,150,853</u>	<u>(371,880)</u>	<u>6,852,527</u>	<u>404,098,620</u>
Less accumulated depreciation for:					
Water treatment and distribution	53,728,977	3,565,786	(210,596)	-	57,084,167
Sewer collection and treatment	55,244,614	4,325,594	-	-	59,570,208
Fixtures and equipment	29,574,660	1,492,930	(7,321)	-	31,060,269
Total accumulated depreciation	<u>138,548,251</u>	<u>9,384,310</u>	<u>(217,917)</u>	<u>-</u>	<u>147,714,644</u>
Total capital assets, being depreciated, net	<u>256,918,869</u>	<u>(7,233,457)</u>	<u>(153,963)</u>	<u>6,852,527</u>	<u>256,383,976</u>
Total capital assets, net	<u>\$ 299,675,916</u>	<u>\$ 482,514</u>	<u>\$ (153,963)</u>	<u>\$ -</u>	<u>\$ 300,004,467</u>

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

Capital Assets	\$ 182,849,331
Depreciation	(70,071,205)
	<u>112,778,126</u>
Internal service fund capital assets, net of depreciation	4,083,390
Total Capital Assets, net	<u>\$ 116,861,516</u>
Debt:	
Short-term portion of debt	\$ 7,106,335
Long-term portion of debt	66,388,416
Total Debt	<u>73,494,751</u>
Less Separation allowance (unrelated to capital)	(307,861)
Less Compensated absences (unrelated to capital)	(2,536,296)
Less Other Postemployment Benefits (unrelated to capital)	(17,058,682)
Unspent proceeds, governmental funds	(8,444,867)
Unspent proceeds, internal service funds	(2,508,907)
Capital Related Debt	<u>42,638,138</u>
Net investment in capital assets	<u>\$ 74,223,378</u>

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

Total Capital Assets, net	<u>\$ 46,845,360</u>
Debt:	
Short-term portion of debt	590,376
Long-term portion of debt	8,067,481
Total Debt	<u>8,657,857</u>
Less Compensated Absences (unrelated to capital)	(618,295)
Less Other Postemployment Benefits (unrelated to capital)	(8,039,562)
Capital Related Debt	<u>-</u>
Net investment in capital assets	<u>\$ 46,845,360</u>

F. Long-Term Debt

Long-term debt for the Town's governmental activities and the business-type activities for the year ended June 30, 2015 is as follows:

Governmental Activities:	Outstanding
<i>General obligation bonds</i>	
\$4,950,000 Construction and renovation to Town facilities, including Sidewalks and pedestrian amenities (\$650,000), Library facility (\$1,500,000), Open space and greenways (\$800,000), Parks and recreation facilities (\$1,000,000) and Downtown streetscape improvements (\$1,000,000) - 2006 serial bonds payable in annual installments of \$250,000 through 2027; interest at 3.8% to 5%	\$ 250,000
\$4,490,000 Refunding 1998 and 2000 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, and for acquisition of open space and greenways - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2% to 4%	1,130,000
\$8,160,000 Construction and renovation to Town facilities, including Library renovation (\$5,701,200), Streets and sidewalks (\$979,500) and Parks and recreation facilities (\$1,479,300) - 2010A serial bonds payable in annual installments of \$1,020,000 through 2019; interest at 2% to 4%	4,080,000
\$12,250,000 Construction and renovation to Town facilities, including Library renovation (\$8,558,800), Streets and sidewalks (\$1,470,500) and Parks and recreation facilities (\$2,220,700) - 2010B Build America Bonds (BABs) serial bonds payable in annual installments of \$1,020,000 to \$1,025,000 through 2031; interest at 3.5% to 4.9%	12,250,000
\$4,655,000 Refunding 1996, 2003 and 2004 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, open space and greenways and public buildings and facilities - 2012 refunding serial bonds payable in annual installments of \$115,000 to \$605,000 through 2025; interest at 2% to 4%	3,535,000
\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	1,445,000
\$3,050,000 - Refunding 2006 bond issue for sidewalk construction and improvement, pedestrian amenities and streetscaping, library facilities, open space acquisition and trail improvements - 2013 refunding serial bonds payable in annual installments of \$34,000 to \$296,000 through 2027; interest at 1.77%	2,972,000
<i>Total general obligation bonds</i>	\$ 25,662,000

Limited Obligation Bonds

\$28,800,000 - Limited Obligation Bonds to refinance installment notes payable to Bank of America and SunTrust Bank 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%

\$ 22,350,000

Installment Notes Payables

Construction and renovation of facilities:

\$2,395,000 - to renovate various municipal facilities

Bank of North Carolina installment purchase contract entered into June 2015 due in varying annual installments through 2030; interest at 2.24%

\$ 2,395,000

Purchase of fleet replacement vehicles:

\$1,604,000 -

493,754

SunTrust Bank installment purchase contract entered into February 2010 payable in annual installments of \$256,439 through 2017; interest at 3.075%

\$1,600,000 -

718,680

Bank of America installment purchase contract entered into February 2011 payable in annual installments of \$249,764 through 2018; interest at 2.41%

\$887,000 -

519,837

BB&T installment purchase contract entered into February 2012

payable in annual installments of \$135,039 through 2019; interest at 1.72%

\$431,200 -

312,598

SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%

\$445,000 -

322,608

Wells Fargo Bank installment purchase contract entered into June 2013

payable in annual installments of \$67,254 through 2020; interest at 1.52%

\$872,000 -

694,289

SunTrust Bank installment purchase contract entered into December 2013

payable in annual installments of \$133,192 through 2020; interest at 1.81%

3,061,766

Total installment notes payables

\$ 5,456,766

In addition to the general obligation bonds, limited obligation bonds and installment notes payable, the Town also includes in their long-term debt an estimated liability for the Town employees' compensated absences, the law enforcement officers' special separation allowance and other postemployment benefits.

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,190,000	\$ 1,003,562	\$ 3,193,562
2017	2,191,000	820,728	3,011,728
2018	2,171,000	763,114	2,934,114
2019	2,152,000	689,413	2,841,413
2020	1,867,000	629,233	2,496,233
2021-2025	7,925,000	2,331,610	10,256,610
2026-2030	5,971,000	1,025,585	6,996,585
2031-2032	1,195,000	56,939	1,251,939
	<u>\$ 25,662,000</u>	<u>\$ 7,320,184</u>	<u>\$ 32,982,184</u>

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,140,000	\$ 1,079,081	\$ 3,219,081
2017	2,165,000	972,081	3,137,081
2018	1,890,000	863,831	2,753,831
2019	1,920,000	772,331	2,692,331
2020	1,930,000	678,331	2,608,331
2021-2025	9,520,000	1,923,155	11,443,155
2026-2030	1,910,000	403,681	2,313,681
2031-2032	875,000	52,803	927,803
	<u>\$ 22,350,000</u>	<u>\$ 6,745,294</u>	<u>\$ 29,095,294</u>

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 848,006	\$ 94,130	\$ 942,136
2017	1,027,474	91,192	1,118,666
2018	789,009	69,636	858,645
2019	550,167	55,131	605,298
2020	421,111	45,566	466,677
2021-2025	865,999	152,289	1,018,288
2026-2030	796,000	62,311	858,311
2031	159,000	1,780	160,780
	<u>\$ 5,456,766</u>	<u>\$ 572,035</u>	<u>\$ 6,028,801</u>

Long-term debt activity for the year ended June 30, 2015 was as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 28,141,000	\$ -	\$ 2,479,000	\$ 25,662,000	\$ 2,190,000
Limited obligation bonds	24,465,000	-	2,115,000	22,350,000	2,140,000
Installment notes payable	-	2,395,000	-	2,395,000	-
Installment notes payable - internal service funds	3,890,775	-	829,009	3,061,766	848,006
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	241,947	65,914	-	307,861	-
Net pension liability for LGERS	5,021,548	-	5,021,548	-	-
Net pension liability for LGERS - internal service funds	88,162	-	88,162	-	-
Compensated absences - governmental activities	2,433,419	1,985,634	1,905,543	2,513,510	1,905,543
Compensated absences - internal service funds	34,805	21,224	33,243	22,786	22,786
Other postemployment benefits	14,163,645	2,582,711	-	16,746,356	-
Other postemployment benefits - internal service funds	261,227	51,099	-	312,326	-
Long-term debt	<u>\$ 78,864,674</u>	<u>\$ 7,101,582</u>	<u>\$ 12,471,505</u>	<u>\$ 73,494,751</u>	<u>\$ 7,106,335</u>
Business-type activities:					
Net pension liability for LGERS	\$ 2,237,105	\$ -	\$ 2,237,105	\$ -	\$ -
Compensated absences	606,610	610,556	598,871	618,295	590,375
Other postemployment benefits	6,740,980	1,298,582	-	8,039,562	-
Long-term debt	<u>\$ 9,584,695</u>	<u>\$ 1,909,138</u>	<u>\$ 2,835,976</u>	<u>8,657,857</u>	<u>590,375</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

On June 27, 2012, the Town issued \$22 million in advanced refunding limited obligation bonds and defeased 2005 and 2003 certificates of participation and a 2007 installment purchase contract by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt on the old bonds and installment purchase contract. Accordingly, the trust assets and the liability for the defeased debt are not included in the Town's financial statements. The reacquisition price of the 2000 certificates of participation exceeded the net carrying amount of the old debt by \$340,000. This amount was being amortized over the life of the new certificates of participation but has been removed from the proprietary activities column of the statement of net position with the refunding. The refinancing was undertaken to reduce total debt payments over the next 20 years and resulted in a savings of approximately \$800,000. On June 30, 2015, \$14,960,000 of certificates of participation is considered defeased.

On February 28, 2013, the Town issued \$3,050,000 of general obligation advance refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust to provide for all future debt on the old bonds. As a result, the refunded bonds are defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$350,000. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$178,820 and resulted in an economic gain of \$158,591. On June 30, 2015, \$2,700,000 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, 2015, the legal debt margin for the Town was approximately \$570 million. For governmental activities, compensated absences, separation allowance and other postemployment benefits are generally liquidated by the general fund.

OWASA's long-term debt as of June 30, 2015 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2014 Refunding Revenue Serial Bonds, in the amount of \$15,965,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031, net of unamortized premium of \$1,496,256 at June 30, 2015	\$ 15,695,000
Revenue bonds payable, Series 2010 Refunding Revenue Serial Bonds, in the amount of \$21,645,000, issued September 30, 2010, with coupon rates of 3.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$1,132,264 at June 30, 2015	20,195,000
Revenue bonds payable, Series 2006 Revenue Serial Bonds, in the amount of \$15,500,000, issued October 26, 2006, with coupon rates of 4.0% and 5.0%, final maturity July 2026, net of unamortized premium of \$417,587 at June 30, 2015; revenue bonds payable, Series 2006 Revenue Term Bonds, in the amount of \$6,785,000, issued October 26, 2006, with an interest rate of 5.0%, due in full July 2031	1,485,000
Revenue and revenue refunding bonds payable, Series 2005, issued June 9, 2005, with coupon rates of 3.5% to 5.0%, final maturity July 2020, net of unamortized premium and deferred refunding loss of \$85,995 at June 30, 2015	13,335,000
Revenue bonds payable, Series 2004A Revenue Bonds, in the amount of \$21,265,000, issued June 1, 2004, with coupon rates of 3.0% and 5.25%, final maturity July 2021; revenue bonds payable, Series 2004B Revenue Bonds, in the amount of \$20,000,000, issued June 1, 2004, bearing a weekly interest rate determined by a remarketing agent (0.37% at June 30, 2010), final maturity July 2029	20,000,000
Revenue and revenue refunding bonds payable, Series 2003 issued April 9, 2003, with coupon rates of 2.5% to 5.0%, final maturity July 2016, net of unamortized premium and deferred refunding loss of \$52,243 at June 30, 2015	2,200,000
	\$ 72,910,000

Note Payable:

Note payable to NCDENR in the amount of \$6,560,000
issued October 4, 2014, interest at 0%, Federal Revolving
Loan, beginning May 2015, payable in annual installments
of with a final payment due in May 2034

\$ 6,232,000

OWASA bond payable maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding		Total	Interest
		Losses			
2016	6,010,000	7,987		6,017,987	7,410,875
2017	5,050,000	140,258		5,190,258	7,146,525
2018	4,700,000	197,421		4,897,421	7,581,319
2019	4,915,000	197,421		5,112,421	7,322,100
2020	5,165,000	197,421		5,362,421	7,061,409
2021-2025	22,535,000	1,073,100		23,608,100	29,580,169
2026-2030	21,815,000	548,392		22,363,392	12,224,204
2031-2032	2,720,000	78,711		2,798,711	257,050
Total	\$ 72,910,000	\$ 2,440,711	\$	\$ 75,350,711	\$ 78,583,651

OWASA note payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2016	328,000	-	328,000
2017	328,000	-	328,000
2018	328,000	-	328,000
2019	328,000	-	328,000
2020	328,000	-	328,000
2021-2025	1,640,000	-	1,640,000
2026-2030	1,640,000	-	1,640,000
2031-2034	1,312,000	-	1,312,000
Total	\$ 6,232,000	\$ -	\$ 6,232,000

On December 18, 2014, the Authority issued \$15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$16,430,000 of Series 2006 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

priced 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.

OWASA's long-term debt activity for the year ended June 30, 2015 is as follows:

	July 1, 2014	Additions	Reductions	June 30, 2014	Due Within One Year
Notes payable	\$ -	\$ 6,560,000	\$ 328,000	\$ 6,232,000	\$ 328,000
Bonds payable:					
Revenue bonds	78,675,000	15,695,000	21,460,000	72,910,000	6,010,000
For issuance premiums	3,733,163	2,057,864	853,852	4,937,175	386,696
Compensated absences	491,731	435,560	410,428	516,863	420,000
LGERS	1,433,202	-	1,433,202	-	-
OPEB	5,456,202	594,245	221,252	5,829,195	-
Total bonds payable	\$ 89,789,298	\$ 25,342,669	\$ 24,706,734	\$ 90,425,233	\$ 7,144,696

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

OWASA has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$72,910,000 in revenue bonds issued in 2001, 2003, 2004, 2005, 2006, 2010 and 2014. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Principal and interest on the bonds are payable through 2032, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$151,493,651. Principal and interest paid in the year ended June 30, 2014 was \$7,248,946.

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 2001, 2003, 2004, 2005, 2006, 2010 and 2014. 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, 2015, is as follows:

Operating revenues	\$ 38,405,219
Operating expenses *	<u>18,999,642</u>
Income available for debt service	<u>\$ 19,405,577</u>
Debt service, principal and interest paid	<u>\$ 7,248,946</u>
Debt service coverage ratio for parity debt	<u>267.70%</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, 2015, OWASA was in compliance with the bond covenants described above.

G. Deferred Outflows and Inflows of Resources

The Town has one deferred outflow of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	<u>\$ 2,451,541</u>

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

<u>Source</u>	<u>Amount</u>
Prepaid taxes (General Fund)	\$ 175,851
Pension deferrals	<u>8,738,405</u>
	<u>\$ 8,914,256</u>

H. 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	\$ 27,824,048
Less:	
Inventories	1,599
Prepaid expenses	49,357
Stabilization by State Statute	8,825,428
Cal Horton award	93,049
Parks projects	89,712
Streets projects	233,158
Public safety	217,530
OPEB allocation	1,758,000
Workforce development	242,528
Economic development	233,377
Appropriated in FY16 budget	2,705,364
Working capital fund balance reserve	6,685,172
Remaining fund balance	<u>6,689,774</u>

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	\$ 3,201,429
Capital Projects Ordinance Fund	2,166,211
Non-major funds	2,420,433

I. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2015, the statements of the Town include a net of balances due to/from other funds in the amount of \$3,383,282 as detailed below. The payables in the Transit Capital Grant Fund represents the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end. The Parking Facility Fund payable to the Debt Fund represents the COPS debt refunded by issuance of limited obligation bonds that are now carried in the Debt Fund.

Receivable Fund	Payable Fund	Amount
Transit fund	Nonmajor governmental	\$ (202,199)
Debt service fund	Parking facility fund	3,585,481
		<u>\$ 3,383,282</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2015 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater	\$ (5,741)
From Parking Fund to Debt Service Fund	909,081
From Transit to Nonmajor	43,413
Total transfers to governmental funds from proprietary funds	<u>\$ 946,753</u>

Transfers between governmental funds:

From Nonmajor to General Fund	45,000
From General Fund to Nonmajor	2,321,369
From General Fund to Capital Projects Ordinance Fund	671,000

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 \$5,741 from the General fund to the Stormwater Management is a reimbursement of a fee exemption. The transfer from the Parking fund to the Debt Service fund represents debt repayment for the 140 West and Rosemary Garage. Finally, Transit made a transfer of matching funds to the Grants Fund for a transit-related operating grant.

J. Employees' Retirement System

I. North Carolina Local Governmental Employees' Retirement System

Plan Description: The Town of Chapel Hill and OWASA are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions: Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town and OWASA employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% 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 7.07%. The Town's contributions to the pension for the years ended June 30, 2015, was \$2,451,541 and OWASA's contributions was 519,888.

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, 2015, the Town reported an asset of \$3,550,448 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total net pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset 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, 2014, the Town's proportion was 0.602%, which was a decrease of 0.007% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$201,269. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 387,948
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	8,265,366
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	85,091
Town contributions subsequent to measurement date	2,451,541	-
Total	<u>\$ 2,451,541</u>	<u>\$ 8,738,405</u>

\$2,451,541 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (2,184,898)
2017	(2,184,898)
2018	(2,184,898)
2019	(2,183,711)
2020	-
Thereafter	-
	<u>\$ (8,738,405)</u>

Actuarial Assumptions: The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement: (a) inflation rate of 3.0 percent, (b) salary increases of 4.25% to 8.55%, including inflation and a productivity factor, (c) investment rate of return 7.25%, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity, 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net position asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability (asset)	\$ 12,051,760	\$ (3,550,448)	\$ (16,687,006)

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 plan that provides retirement benefits to the Town’s qualified sworn law enforcement officers.

The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer multiplied by the number of years of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	16
Active Plan members	120
	136
	136

A separate report was not issued for the plan.

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 following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions: The Town is required by Article 12D of N.C.G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through annual appropriations made in the General Fund operating budget. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There are no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 5.00% investment rate of return (net of administrative expenses) and (b)

projected salary increases of between 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include post employment benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

Annual Pension Cost and Net Pension Obligation: The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

a Employer annual required contribution	\$ 393,647
b Interest on net pension obligation	12,097
c Adjustment to annual required contribution	<u>(20,439)</u>
d Annual pension cost (a) + (b) + (c)	\$ 385,305
e Employer contributions made for fiscal year ended 6/30/2014	<u>319,391</u>
f Increase (decrease) in net pension obligation (d) - (e)	\$ 65,914
g Net pension obligation, beginning of fiscal year	<u>241,947</u>
h Net pension obligation, end of fiscal year (f) + (g)	<u><u>\$ 307,861</u></u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2013	321,645	102.34%	239,126
6/30/2014	320,786	99.12%	241,947
6/30/2015	385,305	82.89%	307,861

Funded Status and Funding Progress: As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$3,442,231. The covered payroll (annual payroll of active employees covered by the plan) was \$6,602,234, and the ratio of the UAAL to the covered payroll was 54.62 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description: The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Code Section 401(k)

plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410 or by calling (919) 981-5454.

Funding Policy: Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$471,139, which consisted of \$315,513 from the Town and \$155,626 from law enforcement officers.

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, 2015 were \$2,006,024, which consisted of \$1,382,950 from the Town and \$623,074 from employees.

K. Other Post-Employment Benefits

Plan Description. In addition to providing pension benefits, by ordinance of the Town Council, the Town administers a single employer defined benefit plan which also provides post-retirement health benefits to retirees of the Town. Employees hired before July 1, 2010 who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Town are eligible for a defined benefit plan wherein the Town pays all or a portion of the cost of coverage for the benefits based on years of service. Also, these retirees can purchase coverage for their dependents at the Town's group rates. Retirees who qualify for coverage receive the same benefits as active employees. Coverage for all retirees who are eligible for Medicare will be transferred to a Medicare Supplemental plan after qualifying for Medicare. A separate report was not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	224
Active Members	504
	<u>728</u>

Funding Policy. The Town pays the cost of coverage for the healthcare benefits of qualified retirees under a Town ordinance that can be amended by the Town Council. The Town has chosen to fund the healthcare benefits on a pay as you go basis. 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%

Qualified retirees may also purchase dependent care coverage at the Town's group rate. For the fiscal year ended June 30, 2015, the Town made payments for post-retirement health benefit premiums of \$1,585,135 and the retirees made payments of \$159,894 for dependent care and for the employee's share of coverage according to the schedule above. The Town's obligation to contribute to the health benefit plan is established and may be amended by the Town Council.

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 health savings plan. The Town will contribute \$35.00 per biweekly pay period on behalf of the employee.

Summary of significant accounting policies. 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.

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

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 6,641,450	19.7%	\$ 17,156,249
2014	5,522,093	27.4%	21,165,852
2015	5,517,527	28.7%	25,098,244

The following table shows the components of the Town's annual OPEB cost for the year, the actuarially adjusted amount contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits.

Annual required contribution	\$ 5,892,263
Interest on net OPEB obligation	846,634
Adjustment to annual required contribution	<u>(1,221,370)</u>
Annual OPEB cost (expense)	5,517,527
Contributions (adjusted for implicit subsidy)	<u>(1,585,135)</u>
Increase in net OPEB obligation	3,932,392
Net OPEB obligation, beginning of year	<u>21,165,852</u>
Net OPEB obligation, end of year	<u><u>\$ 25,098,244</u></u>

Funding status and funding progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$64,209,641. The covered payroll (annual payroll of active employees covered by the plan) was \$26,043,832, and the ratio of the UAAL to the covered payroll was 246.5%. The current annual required contribution rate (ARC) is 22.62% of annual covered payroll.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

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

L. Other Employment Benefits

The Town has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death 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, 2015 for the following:

Bolin Creek Trail	\$ 2,207,183
Vehicle/Bus/Truck Purchases	1,237,819
Streets, Paving, Drainage and Sidewalks	694,974
Public Housing Projects	686,965
Municipal Fiber Project	537,056
Parks & Recreation Projects	488,601
Miscellaneous Projects	482,092
Technology Projects	245,351
Transit Projects	212,330
Traffic Projects	136,549
Town Hall Flood Project	75,371
Workforce Development Projects	46,458
Downtown Initiative	8,970
	\$ 7,059,719

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 \$2,692,105 at June 30, 2015.

N. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town protects itself from potential loss through participation in the Interlocal Risk Financing Fund of North Carolina for general liability, automobile liability, public officials' liability, law enforcement liability and property losses; and through participation in the Interlocal Risk Management Pool of North Carolina for workers' compensation. Through this Fund and Pool, the Town maintains insurance coverage of \$3,000,000 for comprehensive general liability, \$5,000,000 for automobile liability, \$2,000,000 for law enforcement liability and public officials' liability, and a replacement cost coverage for property loss. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annual by certified public accountants, and the audited financial statements are available to the Town upon request.

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

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

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

The Town currently reports its risk management activities and insurance costs by operating fund. Claims expenditures falling within the retention coverage are generally reported when amounts are paid or, in the event of significant losses, when such amounts are probable and the amounts can be determined. The amounts due at June 30, 2015 for outstanding claims and incurred but not reported claims are not considered material and, therefore, no provision is recorded within the financial statements. The amount of settlements has not exceeded insurance coverage in any of the past three years.

O. Change in Accounting Principles/Restatement

The Town implemented *Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$3,468,240 and \$1,518,446, respectively.

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SUPPLEMENTAL INFORMATION ANALYSIS OF FUNDING PROGRESS
Last Six Fiscal Years**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY PROJECTED UNIT CREDIT (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A % OF COVERED PAYROLL ((b-a)/c)
12/31/2009	-	3,375,079	3,375,079	-	6,037,006	55.91%
12/31/2010	-	3,157,252	3,157,252	-	6,181,559	51.08%
12/31/2011	-	3,185,772	3,185,772	-	5,995,868	53.13%
12/31/2012	-	3,133,435	3,133,435	-	5,986,284	52.34%
12/31/2013	-	3,130,859	3,130,859	-	6,037,671	51.86%
12/31/2014	-	3,442,231	3,442,231	-	6,302,234	54.62%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2010	265,423	110.74
2011	323,899	95.19
2012	316,355	106.38
2013	324,662	101.39
2014	328,312	96.85
2015	393,647	81.14

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization method	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25 - 7.85%
* Includes inflation at	3.00%
Cost of living adjustments	N/A

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

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

**OTHER POSTEMPLOYMENT BENEFITS
 SUPPLEMENTAL INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTION
 Last Three Years**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	6,826,000	19.20%
2014	5,825,840	25.96%
2015	5,892,263	26.90%

Notes to the Required Schedules:

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

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

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

	<u>2015</u>	<u>2014</u>
Chapel Hill's proportion of the net pension liability (asset) (%)	0.60203%	0.60950%
Chapel Hill's proportion of the net pension liability (asset) (\$)	\$ (3,550,448)	\$ 7,346,815
Chapel Hill's covered-employee payroll	\$ 33,509,249	\$ 32,468,101
Chapel Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-10.60%	22.63%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

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

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

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,451,541	\$ 2,360,129
Contributions in relation to the contractually required contribution	<u>2,451,541</u>	<u>2,360,129</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Chapel Hill's covered payroll	\$ 34,697,974	\$ 33,509,249
Contributions as a percentage of covered-employee payroll	7.07%	7.04%

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.

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, 2015 (With Comparative Totals as of June 30, 2014)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2015	2014
ASSETS				
Cash and cash equivalents	\$ 3,945,888	\$ 614,906	\$ 4,560,794	\$ 3,842,576
Receivables:				
Governmental units and agencies	232,100	289,519	521,619	964,903
Other	-	30,000	30,000	10,620
Inventories	-	16,538	16,538	16,538
Prepaid items	-	-	-	6,110
Restricted cash and cash equivalents	247,100	367,844	614,944	1,021,820
TOTAL ASSETS	\$ 4,425,088	\$ 1,318,807	\$ 5,743,895	\$ 5,862,567
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 202,199	\$ -	\$ 202,199	\$ 951,707
Accounts payable	116,308	20,592	136,900	620,686
Accrued liabilities	-	8,662	8,662	6,048
Unearned revenue	22,660	88,398	111,058	-
Accounts payable from restricted assets	16,161	21,248	37,409	41,631
Other payables from restricted assets	-	14,950	14,950	13,660
Total liabilities	357,328	153,850	511,178	1,633,732
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Prepaid expenses	-	-	-	6,110
Restricted				
Stabilization by State Statute	2,606,974	365,079	2,972,053	3,422,213
Parks capital projects	-	-	-	65,883
Public housing	13,787	113,836	127,623	594,147
Public safety	-	22,436	22,436	8,180
Library	-	152,131	152,131	257,061
Transit capital purchases	18,317	-	18,317	60,529
Infrastructure capital projects	214,996	-	214,996	214,756
Streets	-	16,689	16,689	-
Committed				
Municipal buildings capital projects	119,300	-	119,300	475,687
Technology capital projects	780,001	-	780,001	751,137
Fire capital projects	637,093	-	637,093	20,353
Public housing	-	599,938	599,938	353,843
Economic development	-	108,152	108,152	62,137
Assigned				
Subsequent year's expenditures	-	135,237	135,237	28,841
Streets capital projects	-	-	-	7,209
Municipal buildings capital projects	612,849	-	612,849	318,978
Parks capital projects	506,877	-	506,877	85,538
Technology capital projects	43,800	-	43,800	4,464
Unassigned	(1,486,234)	(365,079)	(1,851,313)	(2,524,769)
Total fund balances	4,067,760	1,164,957	5,232,717	4,228,835
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,425,088	\$ 1,318,807	\$ 5,743,895	\$ 5,862,567

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 570,649	\$ 11,793	\$ 30,460
Receivables:				
Governmental units and agencies	83,023	-	-	-
Other	-	-	-	-
Inventories	-	-	-	16,538
Restricted cash and cash equivalents	50,184	-	14,950	-
TOTAL ASSETS	\$ 133,207	\$ 570,649	\$ 26,743	\$ 46,998
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	12,643	321	-
Accrued liabilities	3,121	-	-	-
Unearned revenue	-	-	-	-
Accounts payable from restricted assets	16,250	-	-	-
Other payables from restricted assets	-	-	14,950	-
Total liabilities	19,371	12,643	15,271	-
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	16,538
Restricted				
Stabilization by State Statute	99,523	10,000	-	-
Public housing	113,836	-	-	-
Public safety	-	-	-	-
Library	-	-	-	-
Streets	-	-	-	-
Committed				
Public housing	-	558,006	11,472	30,460
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	(99,523)	(10,000)	-	-
Total fund balances	113,836	558,006	11,472	46,998
TOTAL LIABILITIES AND FUND BALANCES	\$ 133,207	\$ 570,649	\$ 26,743	\$ 46,998

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
				2015	2014
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,004	\$ -	\$ 614,906	\$ 458,447
Receivables:					
Governmental units and agencies	86,496	120,000	-	289,519	568,442
Other	-	30,000	-	30,000	10,620
Inventories	-	-	-	16,538	16,538
Restricted cash and cash equivalents	47,027	-	255,683	367,844	266,224
TOTAL ASSETS	\$ 133,523	\$ 152,004	\$ 255,683	\$ 1,318,807	\$ 1,320,271
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 357,961
Accounts payable	-	7,628	-	20,592	12,714
Accrued liabilities	4,554	987	-	8,662	6,048
Unearned revenue	88,398	-	-	88,398	12,137
Accounts payable from restricted assets	1,446	-	3,552	21,248	37,315
Other payables from restricted assets	-	-	-	14,950	13,660
Total liabilities	94,398	8,615	3,552	153,850	439,835
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	16,538
Restricted					
Stabilization by State Statute	100,056	150,000	5,500	365,079	659,990
Public housing	-	-	-	113,836	113,836
Public safety	22,436	-	-	22,436	8,180
Library	-	-	152,131	152,131	257,061
Streets	16,689	-	-	16,689	-
Committed					
Public housing	-	-	-	599,938	353,843
Economic development	-	108,152	-	108,152	62,137
Assigned					
Subsequent year's expenditures	-	35,237	100,000	135,237	28,841
Unassigned	(100,056)	(150,000)	(5,500)	(365,079)	(619,990)
Total fund balances	39,125	143,389	252,131	1,164,957	880,436
TOTAL LIABILITIES AND FUND BALANCES	\$ 133,523	\$ 152,004	\$ 255,683	\$ 1,318,807	\$ 1,320,271

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2015	2014
ASSETS						
Cash and cash equivalents	\$ 3,945,888	\$ -	\$ -	\$ -	\$ 3,945,888	\$ 3,384,129
Due from governmental units and agencies	9,397	-	221,703	1,000	232,100	396,461
Restricted cash and cash equivalents	-	214,996	18,317	13,787	247,100	755,596
Prepaid items	-	-	-	-	-	6,110
TOTAL ASSETS	\$ 3,955,285	\$ 214,996	\$ 240,020	\$ 14,787	\$ 4,425,088	\$ 4,542,296
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 202,199	\$ -	\$ 202,199	\$ 593,746
Accounts payable	116,308	-	-	-	116,308	258,711
Unearned revenue	-	-	22,660	-	22,660	29,494
Accounts payable from restricted assets	-	-	15,161	1,000	16,161	311,946
Total liabilities	116,308	-	240,020	1,000	357,328	1,193,897
FUND BALANCES						
Nonspendable						
Prepaid expenses	-	-	-	-	-	6,110
Restricted						
Stabilization by State Statute	1,974,024	-	425,341	207,609	2,606,974	2,762,223
Parks capital projects	-	-	-	-	-	65,883
Public housing	-	-	-	13,787	13,787	480,311
Transit capital purchases	-	-	18,317	-	18,317	60,529
Infrastructure capital projects	-	214,996	-	-	214,996	214,756
Committed						
Municipal buildings capital projects	119,300	-	-	-	119,300	475,687
Technology capital projects	780,001	-	-	-	780,001	751,137
Fire capital projects	637,093	-	-	-	637,093	20,353
Assigned						
Streets capital projects	-	-	-	-	-	7,209
Municipal buildings capital projects	612,849	-	-	-	612,849	318,978
Parks capital projects	506,877	-	-	-	506,877	85,538
Technology capital projects	43,800	-	-	-	43,800	4,464
Unassigned	(834,967)	-	(443,658)	(207,609)	(1,486,234)	(1,904,779)
Total fund balances	3,838,977	214,996	-	13,787	4,067,760	3,348,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,955,285	\$ 214,996	\$ 240,020	\$ 14,787	\$ 4,425,088	\$ 4,542,296

OTHER GOVERNMENTAL FUNDS

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)**

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2015	2014
REVENUES				
Taxes	\$ -	\$ 277,264	\$ 277,264	\$ 245,848
Intergovernmental revenues				
Federal government	293,550	730,597	1,024,147	2,559,355
State government	-	13,702	13,702	13,516
Other	3,488	97,551	101,039	26,631
Interest on investments	2,937	876	3,813	3,913
Franchise rental fees	72,423	-	72,423	71,766
Program income	12,918	18,081	30,999	39,303
Donations	-	110,654	110,654	142,136
Revenue in lieu	74,108	349,000	423,108	182,560
Insurance recovery	24,623	-	24,623	267,092
Other	15,500	1,166	16,666	20,887
Total revenues	499,547	1,598,891	2,098,438	3,573,007
EXPENDITURES				
Environment and development	-	1,208,211	1,208,211	1,160,090
Public safety	-	43,622	43,622	70,009
Leisure activities	-	101,399	101,399	171,932
Capital projects	2,061,106	-	2,061,106	4,562,538
Total expenditures	2,061,106	1,353,232	3,414,338	5,964,569
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,561,559)	245,659	(1,315,900)	(2,391,562)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	2,280,920	83,862	2,364,782	2,665,398
Transfer to other funds	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	2,280,920	38,862	2,319,782	2,620,398
NET CHANGE IN TOTAL FUND BALANCES	719,361	284,521	1,003,882	228,836
FUND BALANCES, BEGINNING	3,348,399	880,436	4,228,835	3,999,999
FUND BALANCES, ENDING	\$ 4,067,760	\$ 1,164,957	\$ 5,232,717	\$ 4,228,835

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, 2015 (With Comparative Totals as of June 30, 2014)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Federal government	459,245	-	-	-
State government	-	-	-	-
Other	-	-	-	-
Interest on investments	-	459	26	34
Program income	7,338	-	10,743	-
Donations	-	-	-	-
Revenue in lieu	-	349,000	-	-
Other	-	-	-	-
Total revenues	466,583	349,459	10,769	34
EXPENDITURES				
Environment and development	466,583	108,856	5,311	-
Public safety	-	-	-	-
Leisure activities	-	-	-	-
Total expenditures	466,583	108,856	5,311	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	240,603	5,458	34
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCES	-	240,603	5,458	34
FUND BALANCES, BEGINNING	113,836	317,403	6,014	46,964
FUND BALANCES, ENDING	\$ 113,836	\$ 558,006	\$ 11,472	\$ 46,998

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
				2015	2014
REVENUES					
Taxes	\$ -	\$ 277,264	\$ -	\$ 277,264	\$ 245,848
Intergovernmental revenues					
Federal government	271,352	-	-	730,597	649,449
State government	13,702	-	-	13,702	13,516
Other	17,551	80,000	-	97,551	21,649
Interest on investments	-	42	315	876	880
Program income	-	-	-	18,081	27,464
Donations	-	-	110,654	110,654	142,136
Revenue in lieu	-	-	-	349,000	182,560
Other	-	1,166	-	1,166	-
Total revenues	302,605	358,472	110,969	1,598,891	1,283,502
EXPENDITURES					
Environment and development	281,400	346,061	-	1,208,211	1,160,090
Public safety	43,622	-	-	43,622	70,009
Leisure activities	30,500	-	70,899	101,399	171,932
Total expenditures	355,522	346,061	70,899	1,353,232	1,402,031
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(52,917)	12,411	40,070	245,659	(118,529)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	83,862	-	-	83,862	81,875
Transfers to other funds	-	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	83,862	-	(45,000)	38,862	36,875
NET CHANGE IN TOTAL FUND BALANCES					
	30,945	12,411	(4,930)	284,521	(81,654)
FUND BALANCES, BEGINNING	8,180	130,978	257,061	880,436	962,090
FUND BALANCES, ENDING	\$ 39,125	\$ 143,389	\$ 252,131	\$ 1,164,957	\$ 880,436

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2015	2014
REVENUES						
Intergovernmental revenues						
Federal government	\$ 9,397	\$ -	\$ 173,653	\$ 110,500	\$ 293,550	\$ 1,909,906
Other	-	-	3,488	-	3,488	4,982
Interest on investments	2,697	240	-	-	2,937	3,033
Franchise rental fees	72,423	-	-	-	72,423	71,766
Program income	12,918	-	-	-	12,918	11,839
Revenue in lieu	74,108	-	-	-	74,108	-
Insurance recovery	24,623	-	-	-	24,623	267,092
Other	-	-	-	15,500	15,500	20,887
Total revenues	<u>196,166</u>	<u>240</u>	<u>177,141</u>	<u>126,000</u>	<u>499,547</u>	<u>2,289,505</u>
EXPENDITURES						
Capital projects:						
Municipal facilities	1,212,363	-	-	117,674	1,330,037	2,241,570
Street improvements and sidewalks	47,026	-	-	-	47,026	99,921
Parks, recreation and open space	326,792	-	-	-	326,792	380,924
Technology and communications	118,437	-	-	-	118,437	135,622
Public safety	18,260	-	-	-	18,260	830,379
Transit equipment and improvements	-	-	220,554	-	220,554	874,122
Total expenditures	<u>1,722,878</u>	<u>-</u>	<u>220,554</u>	<u>117,674</u>	<u>2,061,106</u>	<u>4,562,538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,526,712)</u>	<u>240</u>	<u>(43,413)</u>	<u>8,326</u>	<u>(1,561,559)</u>	<u>(2,273,033)</u>
OTHER FINANCING SOURCES						
Transfer from General Fund	2,237,507	-	-	-	2,237,507	2,409,693
Transfer from Transit Fund	-	-	43,413	-	43,413	173,830
Total other financing sources	<u>2,237,507</u>	<u>-</u>	<u>43,413</u>	<u>-</u>	<u>2,280,920</u>	<u>2,583,523</u>
NET CHANGE IN TOTAL FUND BALANCES	710,795	240	-	8,326	719,361	310,490
FUND BALANCES, BEGINNING	<u>3,128,182</u>	<u>214,756</u>	<u>-</u>	<u>5,461</u>	<u>3,348,399</u>	<u>3,037,909</u>
FUND BALANCES, ENDING	<u>\$ 3,838,977</u>	<u>\$ 214,996</u>	<u>\$ -</u>	<u>\$ 13,787</u>	<u>\$ 4,067,760</u>	<u>\$ 3,348,399</u>

INTERNAL SERVICE FUNDS

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

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION
 JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2015	2014
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,039,006	\$ 543,916	\$ 626,128	\$ 2,209,050	\$ 2,421,740
Accounts receivable	-	20,765	-	20,765	18,725
Inventories	-	63,913	-	63,913	38,846
Restricted cash and cash equivalents	2,508,907	-	-	2,508,907	2,504,930
Total current assets	3,547,913	628,594	626,128	4,802,635	4,984,241
NONCURRENT ASSETS					
Net pension asset	-	42,720	-	42,720	-
Capital assets, net of depreciation	4,083,390	-	-	4,083,390	4,114,239
Total noncurrent assets	4,083,390	42,720	-	4,126,110	4,114,239
TOTAL ASSETS	7,631,303	671,314	626,128	8,928,745	9,098,480
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	-	29,497	-	29,497	-
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	300,048	168,790	142,885	611,723	252,740
Accrued liabilities	-	8,370	-	8,370	12,215
Compensated absences	-	22,786	-	22,786	31,504
Installment purchase agreements	848,006	-	-	848,006	829,004
Total current liabilities	1,148,054	199,946	142,885	1,490,885	1,125,463
NONCURRENT LIABILITIES					
Compensated absences	-	-	-	-	3,301
Other postemployment benefits	-	312,326	-	312,326	261,227
Installment purchase agreements	2,213,760	-	-	2,213,760	3,061,771
Total noncurrent liabilities	2,213,760	312,326	-	2,526,086	3,326,299
TOTAL LIABILITIES	3,361,814	512,272	142,885	4,016,971	4,451,762
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	-	105,142	-	105,142	-
NET POSITION					
Net investment in capital assets	3,530,531	-	-	3,530,531	2,728,394
Unrestricted	738,958	83,397	483,243	1,305,598	1,918,324
TOTAL NET POSITION	\$ 4,269,489	\$ 83,397	\$ 483,243	\$ 4,836,129	\$ 4,646,718

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2015	2014
OPERATING REVENUES					
Charges for services	\$ 1,456,500	\$ 1,310,702	\$ 159,970	\$ 2,927,172	\$ 2,905,668
OPERATING EXPENSES					
Depreciation and amortization	1,204,685	583	-	1,205,268	1,281,145
Personnel	-	524,869	-	524,869	585,306
Operations	5,121	758,329	167,144	930,594	895,289
Total operating expenses	1,209,806	1,283,781	167,144	2,660,731	2,761,740
OPERATING INCOME (LOSS)	246,694	26,921	(7,174)	266,441	143,928
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	-	11,694	-	11,694	42,817
Interest on investments	5,196	500	606	6,302	5,615
Interest expense	(77,824)	-	-	(77,824)	(95,946)
Gain on sale of capital assets	39,822	-	2,976	42,798	157,259
Total nonoperating revenues (expenses), net	(32,806)	12,194	3,582	(17,030)	109,745
CHANGE IN NET POSITION	213,888	39,115	(3,592)	249,411	253,673
NET POSITION, PREVIOUSLY REPORTED	4,055,601	104,282	486,835	4,646,718	4,393,045
RESTATEMENT	-	(60,000)	-	(60,000)	-
NET POSITION, RESTATED	4,055,601	44,282	486,835	4,586,718	4,393,045
NET POSITION, ENDING	\$ 4,269,489	\$ 83,397	\$ 483,243	\$ 4,836,129	\$ 4,646,718

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,456,500	\$ 1,308,662	\$ 159,970	\$ 2,925,132	\$ 3,038,917
Payments to employees	-	(516,709)	-	(516,709)	(532,675)
Payments to suppliers	183,078	(690,252)	(89,504)	(596,678)	(831,575)
Net cash provided by (used in) operating activities	1,639,578	101,701	70,466	1,811,745	1,674,667
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	-	-	-	-	872,000
Principal paid on installment purchase agreements	(829,009)	-	-	(829,009)	(1,048,891)
Interest paid on installment purchase agreements	(77,824)	-	-	(77,824)	(95,946)
Proceeds from sale of capital assets	40,749	-	2,976	43,725	161,312
Proceeds from insurance recovery	-	11,694	-	11,694	42,817
Acquisition and construction of capital assets	(1,175,346)	-	-	(1,175,346)	(947,881)
Net cash provided by (used in) capital and related financing activities	(2,041,430)	11,694	2,976	(2,026,760)	(1,016,589)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	5,196	500	606	6,302	5,615
Net cash provided by investing activities	5,196	500	606	6,302	5,615

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015 (With Comparative Totals as of June 30, 2014)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2015	2014
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(396,656)	113,895	74,048	(208,713)	663,693
CASH AND INVESTMENTS, BEGINNING	3,944,569	430,021	552,080	4,926,670	4,262,977
CASH AND INVESTMENTS, ENDING	<u>\$ 3,547,913</u>	<u>\$ 543,916</u>	<u>\$ 626,128</u>	<u>\$ 4,717,957</u>	<u>\$ 4,926,670</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 246,694	\$ 26,921	\$ (7,174)	\$ 266,441	\$ 143,928
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,204,685	583	-	1,205,268	1,281,145
Changes in assets and liabilities:					
Receivables	-	(2,040)	-	(2,040)	133,249
Inventories	-	(25,067)	-	(25,067)	55,699
Accounts payable	188,199	93,144	77,640	358,983	8,015
Accrued liabilities	-	(3,845)	-	(3,845)	686
Compensated absences	-	(12,019)	-	(12,019)	(142)
Accrued OPEB liability	-	51,099	-	51,099	52,087
Deferred outflows of resources for pensions	-	(27,075)	-	(27,075)	-
Net cash provided by operating activities	<u>\$ 1,639,578</u>	<u>\$ 101,701</u>	<u>\$ 70,466</u>	<u>\$ 1,811,745</u>	<u>\$ 1,674,667</u>

This page intentionally left blank.

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 29,370,000	\$ 29,370,000	\$ 28,766,821	\$ (603,179)
Ad valorem taxes - prior years	125,000	125,000	150,949	25,949
Interest on delinquent taxes	-	-	90,965	90,965
Interest on state held taxes	-	-	805	805
Interest on county held taxes	-	-	2,584	2,584
Local option sales taxes	10,875,600	10,875,600	11,444,089	568,489
Occupancy tax	985,000	985,000	1,100,478	115,478
Other taxes	59,000	59,000	65,384	6,384
Total taxes	41,414,600	41,414,600	41,622,075	207,475
Licenses and permits				
Motor vehicles	420,000	420,000	457,269	37,269
Privilege licenses	100,000	100,000	101,908	1,908
Building permits	1,088,260	1,095,760	1,578,077	482,317
Special use permits	262,792	262,792	48,616	(214,176)
Work zone traffic permits	50,000	50,000	37,877	(12,123)
Engineering permits	14,000	14,000	35,407	21,407
Fire inspection fees	2,500	2,500	1,600	(900)
Traffic impact study and fees	103,100	103,100	65,612	(37,488)
Police permits	55,000	55,000	40,447	(14,553)
Fire permits	20,800	20,800	25,295	4,495
Total licenses and permits	2,116,452	2,123,952	2,392,108	268,156
Fines and forfeitures				
Garbage citations and leash law fees	2,050	2,050	2,925	875
Parking tickets and towing fees	27,000	27,000	19,989	(7,011)
False alarm fees	3,000	3,000	51,768	48,768
Total fines and forfeitures	32,050	32,050	74,682	42,632

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
USDOJ Equitable Sharing - Drug	\$ 13,000	\$ 13,000	\$ -	\$ (13,000)
Total federal government	13,000	13,000	-	(13,000)
State of North Carolina				
Beer and wine tax	230,000	230,000	284,507	54,507
Fuel tax (Powell Bill) funds	1,490,000	1,490,000	1,497,671	7,671
State fire protection	1,097,590	1,097,590	1,098,094	504
Utility franchise tax	2,800,000	2,800,000	4,219,515	1,419,515
Video programming tax	700,000	700,000	716,307	16,307
Supplemental PEG support	90,000	90,000	85,259	(4,741)
Solid waste disposal tax	32,000	32,000	38,494	6,494
State library aid	28,308	28,308	28,715	407
NCDENR grant	-	75,000	75,000	-
NCDOT Reimbursement grant	107,000	107,000	-	(107,000)
State Equitable Sharing - Drug	6,000	6,000	2,116	(3,884)
Total State of North Carolina	6,580,898	6,655,898	8,045,678	1,389,780
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	568,139	568,139	568,139	-
Carrboro contribution	4,200	11,364	7,569	(3,795)
Miscellaneous local grants	-	10,000	10,500	500
Total other	656,099	673,263	669,968	(3,295)
Total intergovernmental revenues	7,249,997	7,342,161	8,715,646	1,373,485

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 134,596	\$ 134,596	\$ 142,274	\$ 7,678
Library delinquent collection fees	5,000	5,000	4,545	(455)
Street cuts and right of way	59,700	59,700	43,132	(16,568)
Traffic signals	250,000	250,000	340,461	90,461
Rent revenue	158,410	158,410	242,745	84,335
Cemetery staking	2,500	2,500	3,510	1,010
Fire districts	281,750	281,750	272,374	(9,376)
Solid waste collection	378,000	378,000	359,197	(18,803)
Planning review	513,378	513,378	197,254	(316,124)
Engineering review	25,000	25,000	25,629	629
Recreation	750,410	750,410	655,849	(94,561)
Charges to other funds	1,334,294	1,334,294	1,188,187	(146,107)
	<u>3,893,038</u>	<u>3,893,038</u>	<u>3,475,157</u>	<u>(417,881)</u>
Total charges for services				
Interest on investments	<u>21,000</u>	<u>21,000</u>	<u>29,780</u>	<u>8,780</u>
Other				
Sales - planning and documents	24,710	24,710	21,623	(3,087)
Sales - capital assets	5,000	5,000	11,831	6,831
Sales - fuel	10,800	10,800	10,366	(434)
Sales - miscellaneous	7,150	7,150	7,347	197
Cemetery lot sales	105,000	105,000	103,525	(1,475)
Court fees	25,000	25,000	29,875	4,875
Mutual aid reimbursements	396,000	396,000	491,958	95,958
Gifts and donations	108,000	108,000	107,249	(751)
Revenue in lieu	-	139,757	109,082	(30,675)
Insurance recovery	-	-	11,978	11,978
Miscellaneous	91,200	91,200	135,038	43,838
	<u>772,860</u>	<u>912,617</u>	<u>1,039,872</u>	<u>127,255</u>
Total other revenues				
TOTAL REVENUES	<u>55,499,997</u>	<u>55,739,418</u>	<u>57,349,320</u>	<u>1,609,902</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 417,068	\$ 424,468	\$ 405,591	\$ 18,877
Manager/CaPA	2,504,747	2,230,188	2,006,847	223,341
Human Resources	1,468,795	1,558,545	1,220,802	337,743
Finance	1,822,728	1,826,454	1,696,901	129,553
Technology Solutions	1,428,111	1,457,927	1,278,668	179,259
Attorney	308,660	308,660	302,848	5,812
Total general government	<u>7,950,109</u>	<u>7,806,242</u>	<u>6,911,657</u>	<u>894,585</u>
Environment and development				
Planning and Sustainability	2,595,645	3,143,679	2,448,019	695,660
Housing and Community	-	465,000	343,088	121,912
Public Works	12,085,686	12,443,673	11,341,419	1,102,254
Total environment and development	<u>14,681,331</u>	<u>16,052,352</u>	<u>14,132,526</u>	<u>1,919,826</u>
Public safety				
Police	13,201,831	13,329,748	12,350,686	979,062
Fire	8,432,438	8,589,535	7,967,734	621,801
Total public safety	<u>21,634,269</u>	<u>21,919,283</u>	<u>20,318,420</u>	<u>1,600,863</u>
Leisure activities				
Parks and recreation	6,401,924	6,642,318	6,192,419	449,899
Library	2,729,416	2,745,544	2,479,008	266,536
Total leisure activities	<u>9,131,340</u>	<u>9,387,862</u>	<u>8,671,427</u>	<u>716,435</u>
Nondepartmental				
Liability insurance	450,000	450,000	342,638	107,362
Supplemental PEG expense	210,000	210,000	196,635	13,365
Contributions to agencies	865,674	925,401	916,531	8,870
Contribution to OPEB liability	-	1,758,000	-	1,758,000
Retiree medical insurance	1,028,687	1,028,687	1,057,001	(28,314)
General government	1,449,302	1,179,713	164,818	1,014,895
Total nondepartmental	<u>4,003,663</u>	<u>5,551,801</u>	<u>2,677,623</u>	<u>2,874,178</u>
Total expenditures	<u>57,400,712</u>	<u>60,717,540</u>	<u>52,711,653</u>	<u>8,005,887</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,900,715)	(4,978,122)	4,637,667	9,615,789
OTHER FINANCING SOURCES (USES)				
Transfer from Parking Facilities Fund	74,910	-	-	-
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer to Stormwater Fund	(6,500)	(6,500)	(5,741)	759
Transfer to Capital Projects Ordinance Fund	-	(671,000)	(671,000)	-
Transfer to Capital Improvements Fund	(779,000)	(2,237,507)	(2,237,507)	-
Transfer to Grants Fund	(87,788)	(104,713)	(83,862)	20,851
Appropriated fund balance	2,654,093	7,952,842	-	(7,952,842)
Total other financing sources (uses)	1,900,715	4,978,122	(2,953,110)	(7,931,232)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,684,557	\$ 1,684,557
FUND BALANCE, BEGINNING			26,139,491	
FUND BALANCE, ENDING			\$ 27,824,048	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 6,430,000	\$ 6,430,000	\$ 6,301,907	\$ (128,093)
Ad valorem taxes - prior years	-	-	25,985	25,985
Intergovernmental revenues				
Federal government	182,506	182,506	169,184	(13,322)
Interest on investments	3,000	3,000	5,030	2,030
	<u>6,615,506</u>	<u>6,615,506</u>	<u>6,502,106</u>	<u>(113,400)</u>
Total revenues				
EXPENDITURES				
Debt service:				
Principal	4,594,000	4,594,000	4,594,000	-
Interest and fiscal charges	2,266,809	2,266,809	2,168,703	98,106
	<u>6,860,809</u>	<u>6,860,809</u>	<u>6,762,703</u>	<u>98,106</u>
Total expenditures				
DEFICIENCY OF REVENUES OVER EXPENDITURES	(245,303)	(245,303)	(260,597)	(15,294)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	909,081	909,081	909,081	-
Contribution to reserve	<u>(663,778)</u>	<u>(663,778)</u>	<u>-</u>	<u>663,778</u>
	<u>245,303</u>	<u>245,303</u>	<u>909,081</u>	<u>663,778</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	648,484	\$ 648,484
FUND BALANCES, BEGINNING			<u>4,803,926</u>	
FUND BALANCES, ENDING			<u>\$ 5,452,410</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS ORDINANCE FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project		Actual	
	Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 2,524,155	\$ 3,050,450	\$ 853	\$ 3,051,303
Federal Bridge Replacement Grant	212,865	268,730	-	268,730
ARRA Grants	1,739,141	1,510,498	-	1,510,498
Federal Transit Administration Grants	7,245,973	1,106,968	71,530	1,178,498
U.S. DOE SEEA Grant	907,041	777,672	-	777,672
Other Federal Grants	955,885	928,296	-	928,296
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	2,008,636	1,680,310	(22,504)	1,657,806
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	86,971	86,971	-	86,971
Orange County parks bonds	8,500,000	8,482,520	-	8,482,520
Other Grants	1,261,939	885,212	306,936	1,192,148
Charges for services	183,117	268,005	-	268,005
Donations	813,993	813,928	-	813,928
Revenue in lieu	175,692	182,697	-	182,697
Other	2,295,040	605,783	1,692,474	2,298,257
Total revenues	29,610,448	21,348,040	2,049,289	23,397,329
EXPENDITURES				
Parks, recreation, library and open space capital improvements	52,684,334	48,900,261	812,296	49,712,557
Public safety capital improvements	2,831,602	2,331,602	-	2,331,602
Public works facility	31,083,380	30,779,704	109,783	30,889,487
Public safety facility	1,692,474	-	-	-
Municipal facilities	11,771,738	8,703,817	75,035	8,778,852
Sewer capital improvements	956,853	393,072	3,657	396,729
Software development	300,000	274,798	-	274,798
Street and sidewalk improvements	18,473,547	9,556,480	634,630	10,191,110
Total expenditures	119,793,928	100,939,734	1,635,401	102,575,135
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(90,183,480)	(79,591,694)	413,888	(79,177,806)

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, 2015**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	52,002,272	52,071,876	-	52,071,876
Proceeds from financing	32,256,733	29,861,733	2,395,000	32,256,733
Transfer from General Fund	4,503,071	3,832,071	671,000	4,503,071
Transfer from Capital Projects Fund	747,077	733,889	-	733,889
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	127,314	127,314	-	127,314
Transfer to Capital Projects Fund	(84,928)	(84,928)	-	(84,928)
Transfer to Stormwater Fund	-	(4,499)	-	(4,499)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>90,183,480</u>	<u>87,146,316</u>	<u>3,066,000</u>	<u>90,212,316</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 7,554,622</u>	3,479,888	<u>\$ 11,034,510</u>
FUND BALANCE, BEGINNING			<u>7,554,622</u>	
FUND BALANCE, ENDING			<u>\$ 11,034,510</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal government	\$ -	\$ 175,000	\$ 9,397	(165,603)
Interest on investments	1,000	1,000	2,697	1,697
Franchise rental fees	55,000	55,000	72,423	17,423
Program income	14,856	14,856	12,918	(1,938)
Insurance recovery	-	-	24,623	24,623
Revenue in lieu	-	138,490	74,108	(64,382)
	<u>70,856</u>	<u>384,346</u>	<u>196,166</u>	<u>(188,180)</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	299,856	1,966,370	1,212,363	754,007
Street improvements and sidewalks	80,000	180,959	47,026	133,933
Parks, recreation and open space	330,000	844,492	326,792	517,700
Technology and communications	140,000	945,601	118,437	827,164
Public safety	-	655,353	18,260	637,093
	<u>849,856</u>	<u>4,592,775</u>	<u>1,722,878</u>	<u>2,869,897</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(779,000)</u>	<u>(4,208,429)</u>	<u>(1,526,712)</u>	<u>2,681,717</u>
OTHER FINANCING SOURCES				
Transfer from General Fund	779,000	2,237,507	2,237,507	-
Appropriated fund balance	-	1,970,922	-	(1,970,922)
	<u>779,000</u>	<u>4,208,429</u>	<u>2,237,507</u>	<u>(1,970,922)</u>
NET CHANGE IN TOTAL FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	710,795	<u>\$ 710,795</u>
FUND BALANCE, BEGINNING			<u>3,128,182</u>	
FUND BALANCE, ENDING			<u>\$ 3,838,977</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL RESERVE FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 240	\$ 240
Total revenues	-	-	240	240
EXPENDITURES				
Total expenditures	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	240	<u>\$ 240</u>
FUND BALANCE, BEGINNING			<u>214,756</u>	
FUND BALANCE, ENDING			<u>\$ 214,996</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental revenue				
Federal government	\$ 12,028,559	\$ 10,370,515	\$ 173,653	\$ 10,544,168
State government	1,075,468	849,201	-	849,201
Other	260,000	229,142	3,488	232,630
Total revenues	<u>13,364,027</u>	<u>11,448,858</u>	<u>177,141</u>	<u>11,625,999</u>
EXPENDITURES				
Bus purchases	11,236,738	10,618,847	-	10,618,847
Equipment and improvements	1,044,046	716,852	53,177	770,029
Administration	2,777,222	1,525,145	167,377	1,692,522
Total expenditures	<u>15,058,006</u>	<u>12,860,844</u>	<u>220,554</u>	<u>13,081,398</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,693,979)</u>	<u>(1,411,986)</u>	<u>(43,413)</u>	<u>(1,455,399)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	2,413,979	2,131,986	43,413	2,175,399
Transfer to other funds	<u>(720,000)</u>	<u>(720,000)</u>	<u>-</u>	<u>(720,000)</u>
Total other financing sources (uses)	<u>1,693,979</u>	<u>1,411,986</u>	<u>43,413</u>	<u>1,455,399</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
PUBLIC HOUSING PROJECTS - CAPITAL FUND GRANTS
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Capital Grant 2012	\$ 448,270	\$ 435,914	\$ 11,817	\$ 447,731
Capital Grant 2013	444,974	34,319	98,683	133,002
Capital Grant 2014	449,057	-	-	-
Total federal government	1,342,301	470,233	110,500	580,733
Other revenues	36,386	20,887	15,500	36,387
 Total revenues	 1,378,687	 491,120	 126,000	 617,120
EXPENDITURES				
Environment and development	1,378,687	485,659	117,674	603,333
 NET CHANGE IN TOTAL FUND BALANCE	 \$ -	 \$ 5,461	 8,326	 \$ 13,787
 FUND BALANCE, BEGINNING			 5,461	
 FUND BALANCE, ENDING			 \$ 13,787	

**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, 2015**

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Block Grant 02	\$ 445,000	\$ 445,000	\$ -	\$ 445,000
Block Grant 03	723,000	723,000	-	723,000
Block Grant 04	711,000	711,000	-	711,000
Block Grant 05	666,392	666,392	-	666,392
Block Grant 06	598,310	598,310	-	598,310
Block Grant 07	596,282	596,282	-	596,282
Block Grant 08	574,804	574,804	-	574,804
Block Grant 09	584,379	584,379	-	584,379
Block Grant 10	633,405	633,405	-	633,405
Block Grant 11	529,660	529,660	-	529,660
Block Grant 12	410,687	410,687	-	410,687
Block Grant 13	406,248	271,701	134,547	406,248
Block Grant 14	403,505	-	324,698	324,698
Program income	251,841	259,182	7,338	266,520
Total revenues	<u>7,534,513</u>	<u>7,003,802</u>	<u>466,583</u>	<u>7,470,385</u>
EXPENDITURES				
Public improvement	2,097,636	1,813,985	176,125	1,990,110
Neighborhood revitalization	3,272,414	3,068,547	197,804	3,266,351
Homeownership opportunities	17,000	17,000	-	17,000
Administration	1,287,697	1,203,275	42,525	1,245,800
Community services	859,766	787,159	50,129	837,288
Total expenditures	<u>7,534,513</u>	<u>6,889,966</u>	<u>466,583</u>	<u>7,356,549</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>-</u>	<u>113,836</u>	-	<u>113,836</u>
FUND BALANCE, BEGINNING			<u>113,836</u>	
FUND BALANCE, ENDING			<u>\$ 113,836</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AFFORDABLE HOUSING FUND
FROM PROJECT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 44,740	\$ 45,610	\$ 459	\$ 46,069
Program income	650,799	650,800	-	650,800
Revenue in lieu	<u>1,780,960</u>	<u>1,431,960</u>	<u>349,000</u>	<u>1,780,960</u>
Total revenues	<u>2,476,499</u>	<u>2,128,370</u>	<u>349,459</u>	<u>2,477,829</u>
EXPENDITURES				
Environment and development	<u>2,632,277</u>	<u>1,966,746</u>	<u>108,856</u>	<u>2,075,602</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(155,778)</u>	<u>161,624</u>	<u>240,603</u>	<u>402,227</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>155,778</u>	<u>155,779</u>	<u>-</u>	<u>155,779</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 317,403</u>	<u>\$ 240,603</u>	<u>\$ 558,006</u>
FUND BALANCE, BEGINNING			<u>317,403</u>	
FUND BALANCE, ENDING			<u>\$ 558,006</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, 2015**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	595	26	621
Program income	87,761	82,088	10,743	92,831
Other	-	300	-	300
	<u>448,640</u>	<u>323,759</u>	<u>10,769</u>	<u>334,528</u>
EXPENDITURES				
Environment and development	<u>466,140</u>	<u>335,245</u>	<u>5,311</u>	<u>340,556</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(17,500)</u>	<u>(11,486)</u>	<u>5,458</u>	<u>(6,028)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 6,014</u>	<u>\$ 5,458</u>	<u>\$ 11,472</u>
FUND BALANCE, BEGINNING			<u>6,014</u>	
FUND BALANCE, ENDING			<u>\$ 11,472</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, 2015**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,789	34	1,823
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,837</u>	<u>34</u>	<u>481,871</u>
Total revenues				
EXPENDITURES				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 46,964</u>	34	<u>\$ 46,998</u>
FUND BALANCE, BEGINNING			<u>46,964</u>	
FUND BALANCE, ENDING			<u>\$ 46,998</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	\$ 351,162	\$ 397,201	\$ 271,352	\$ (125,849)
State government	18,444	18,444	13,702	(4,742)
Other	7,337	102,337	17,551	(84,786)
Total revenues	<u>376,943</u>	<u>517,982</u>	<u>302,605</u>	<u>(215,377)</u>
EXPENDITURES				
Environment and development	434,231	434,231	281,400	152,831
Public safety	-	165,892	43,622	122,270
Leisure activities	30,500	30,500	30,500	-
Total expenditures	<u>464,731</u>	<u>630,623</u>	<u>355,522</u>	<u>275,101</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(87,788)</u>	<u>(112,641)</u>	<u>(52,917)</u>	<u>59,724</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	87,788	104,713	83,862	(20,851)
Appropriated fund balance	-	7,928	-	(7,928)
Total other financing sources	<u>87,788</u>	<u>112,641</u>	<u>83,862</u>	<u>(28,779)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	30,945	<u>\$ 30,945</u>
FUND BALANCE, BEGINNING			<u>8,180</u>	
FUND BALANCE, ENDING			<u>\$ 39,125</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 242,000	\$ 242,000	\$ 277,264	\$ 35,264
Intergovernmental revenues - other	40,000	40,000	80,000	40,000
Interest on investments	-	-	42	42
Other	-	1,273	1,166	(107)
Total revenues	<u>282,000</u>	<u>283,273</u>	<u>358,472</u>	<u>75,199</u>
EXPENDITURES				
Environment and development	<u>310,841</u>	<u>378,841</u>	<u>346,061</u>	<u>32,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(28,841)</u>	<u>(95,568)</u>	<u>12,411</u>	<u>107,979</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>28,841</u>	<u>95,568</u>	<u>-</u>	<u>(95,568)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>12,411</u>	<u>\$ 12,411</u>
FUND BALANCE, BEGINNING			<u>130,978</u>	
FUND BALANCE, ENDING			<u>\$ 143,389</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY GIFT FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 315	\$ 315
Library donations	<u>100,600</u>	<u>100,600</u>	<u>110,654</u>	<u>10,054</u>
Total revenues	<u>100,600</u>	<u>100,600</u>	<u>110,969</u>	<u>10,369</u>
EXPENDITURES				
Leisure activities	<u>46,100</u>	<u>99,630</u>	<u>70,899</u>	<u>28,731</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>54,500</u>	<u>970</u>	<u>40,070</u>	<u>39,100</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(45,000)	(45,000)	(45,000)	-
Contribution to reserve	(9,500)	-	-	-
Appropriated fund balance	<u>-</u>	<u>44,030</u>	<u>-</u>	<u>(44,030)</u>
Total other financing sources (uses)	<u>(54,500)</u>	<u>(970)</u>	<u>(45,000)</u>	<u>(44,030)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(4,930)</u>	<u>\$ (4,930)</u>
FUND BALANCE, BEGINNING			<u>257,061</u>	
FUND BALANCE, ENDING			<u>\$ 252,131</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 329,503	\$ (60,942)
Bus advertising	163,132	163,132	105,907	(57,225)
Other	406,409	406,409	608,271	201,862
Total charges for services	<u>959,986</u>	<u>959,986</u>	<u>1,043,681</u>	<u>83,695</u>
OPERATING EXPENSES				
Personnel	12,317,048	11,885,571	10,787,261	1,098,310
Fuel and tires	2,304,216	2,173,020	2,018,039	154,981
Indirect costs	1,143,055	1,143,055	1,006,972	136,083
Building maintenance	663,740	716,011	503,572	212,439
Vehicle maintenance	1,853,837	2,479,828	1,800,110	679,718
Insurance	421,621	432,221	343,308	88,913
Advertising and marketing	154,227	111,027	86,598	24,429
Tarheel Express	289,131	246,404	219,803	26,601
Uniforms and supplies	155,014	148,014	102,025	45,989
Contracted services	522,483	868,141	506,737	361,404
Other	278,441	485,509	249,742	235,767
Total operating expenses	<u>20,102,813</u>	<u>20,688,801</u>	<u>17,624,167</u>	<u>3,064,634</u>
OPERATING LOSS	<u>(19,142,827)</u>	<u>(19,728,815)</u>	<u>(16,580,486)</u>	<u>3,148,329</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	2,169,719	2,626,297	1,810,536	(815,761)
State Operating Assistance Grant	2,620,371	2,285,404	2,407,979	122,575
Local Operating Assistance Grant	12,000	12,000	12,000	-
Operating assistance-UNC Chapel Hill	7,765,808	7,765,808	7,765,808	-
Operating assistance-Town of Carrboro	1,472,520	1,472,520	1,472,508	(12)
Operating assistance - TTA Vehicle Fees	1,125,000	1,125,000	851,105	(273,895)
Vehicle licenses	424,738	424,738	455,748	31,010
Ad valorem taxes	3,870,000	3,870,000	3,798,723	(71,277)
Interest on investments	2,500	2,500	11,918	9,418
Insurance recovery	49,371	49,371	59,908	10,537
Capital outlay	(8,000)	(494,568)	(172,023)	322,545
Proceeds from sale of capital assets	12,300	12,300	-	(12,300)
Contribution to Reserve	(400,000)	(400,000)	-	400,000
Revenue in lieu	26,500	26,500	-	(26,500)
Appropriated fund balance	<u>218,000</u>	<u>1,226,875</u>	<u>-</u>	<u>(1,226,875)</u>
Total nonoperating revenues (expenses), net	<u>19,360,827</u>	<u>20,004,745</u>	<u>18,474,210</u>	<u>(1,530,535)</u>
INCOME BEFORE TRANSFERS	<u>218,000</u>	<u>275,930</u>	<u>1,893,724</u>	<u>1,617,794</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
CAPITAL CONTRIBUTIONS	-	-	5,429	5,429
TRANSFERS				
Transfers in	-	-	-	-
Transfers out	(218,000)	(275,930)	(43,413)	232,517
Total transfers	(218,000)	(275,930)	(43,413)	232,517
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	1,855,740	\$ 1,855,740
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(17,794)	
Accrued OPEB liability			(1,053,250)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			625,878	
Pension Expense			(51,384)	
Capital outlay			172,023	
Depreciation and amortization			(3,683,050)	
Change in net position			\$ (2,151,837)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,392,455	\$ 2,392,455	\$ 2,500,498	\$ 108,043
OPERATING EXPENSES				
Personnel	830,672	860,592	844,264	16,328
Maintenance and repairs	97,238	84,125	32,472	51,653
Credit card fees	86,500	94,394	103,071	(8,677)
Lot rent	209,320	268,218	277,038	(8,820)
Indirect costs	81,017	81,017	83,437	(2,420)
Contracted services	74,660	97,449	63,113	34,336
Other	259,048	268,387	206,266	62,121
Total operating expenses	1,638,455	1,754,182	1,609,661	144,521
OPERATING INCOME	754,000	638,273	890,837	252,564
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,250	1,250	1,800	550
Insurance recovery	3,750	3,750	7,956	4,206
Capital outlay	-	(185,397)	(81,795)	103,602
Appropriated fund balance	224,991	451,205	-	(451,205)
Total nonoperating revenues (expenses), net	229,991	270,808	(72,039)	(342,847)
INCOME BEFORE TRANSFERS	983,991	909,081	818,798	(90,283)
TRANSFERS				
Transfers out	(983,991)	(909,081)	(909,081)	-
DEFICIENCY OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	(90,283)	\$ (90,283)
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			3,979	
Accrued OPEB liability			(71,732)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			34,812	
Pension expense			(2,858)	
Capital outlay			81,795	
Depreciation and amortization			(256,393)	
Change in net position			\$ (300,680)	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 780,669	\$ 780,669	\$ 910,630	\$ 129,961
OPERATING EXPENSES				
Personnel	1,101,913	1,090,828	1,019,198	71,630
Maintenance and repairs	792,734	553,169	421,272	131,897
Utilities	168,200	171,200	175,238	(4,038)
Other	223,073	217,407	195,444	21,963
Total operating expenses	2,285,920	2,032,604	1,811,152	221,452
OPERATING LOSS	<u>(1,505,251)</u>	<u>(1,251,935)</u>	<u>(900,522)</u>	<u>351,413</u>
NONOPERATING REVENUES & (EXPENSES)				
Federal Operating Assistance Grant	1,132,420	1,132,420	1,183,160	50,740
Interest on investments	1,950	1,950	2,055	105
Insurance recovery	-	-	49,612	49,612
Capital outlay	(61,500)	(688,148)	(170,407)	517,741
Proceeds from sale of capital assets	-	-	431	431
Appropriated fund balance	432,381	805,713	-	(805,713)
Total nonoperating revenues	1,505,251	1,251,935	1,064,851	(187,084)
EXCESS OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ -</u>	164,329	<u>\$ 164,329</u>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			604	
Accrued OPEB liability			(101,709)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			48,295	
Pension Expense			(3,965)	
Capital outlay			170,407	
Depreciation and amortization			(646,246)	
Change in net position			<u>\$ (368,285)</u>	

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
111	Cash - unrestricted	\$ 3,179,014	\$ -	3,179,014
113	Cash - other restricted	-	13,787	13,787
114	Cash - tenant security deposits	76,887	-	76,887
100	Total cash	3,255,901	13,787	3,269,688
124	Accounts receivable - Other Governmental	-	1,000	1,000
126	Accounts receivable - Tenants dwelling rents	11,617	-	11,617
126.1	Allowance for doubtful accounts - Tenants dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	4,205	1,000	5,205
143	Inventories	147,984	-	147,984
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total current investments	146,523	-	146,523
150	TOTAL CURRENT ASSETS	3,406,629	14,787	3,421,416
NONCURRENT ASSETS:				
Capital assets:				
161	Land	2,038,178	-	2,038,178
162	Building	22,802,072	-	22,802,072
164	Furniture, Equipment, & Machinery -Administration	655,598	-	655,598
	Accumulated depreciation	(15,281,961)	-	(15,281,961)
166	Construction in progress	157,264	-	157,264
160	Total capital assets, net of accumulated depreciation	10,371,151	-	10,371,151
174	Net pension asset	69,944	-	69,944
180	TOTAL NONCURRENT ASSETS	10,441,095	-	10,441,095
190	TOTAL ASSETS	13,847,724	14,787	13,862,511
DEFERRED OUTFLOWS OF RESOURCES:				
200	Contributions to pension plan	48,295	-	48,295
290	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,896,019	\$ 14,787	\$ 13,910,806
LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 63,368	\$ 1,000	64,368
321	Accrued wage/payroll taxes payable	21,062	-	21,062
322	Accrued compensated absences - current portion	66,929	-	66,929
341	Tenant security deposits	76,887	-	76,887
310	TOTAL CURRENT LIABILITIES	228,246	1,000	229,246
354	Accrued compensated absences - non-current portion	4,173	-	4,173
357	Accrued pension and OPEB liabilities	606,602	-	606,602
350	TOTAL NON-CURRENT LIABILITIES	610,775	-	610,775
300	TOTAL LIABILITIES	839,021	1,000	840,021
DEFERRED INFLOWS OF RESOURCES:				
400	Pension deferrals	172,147	-	172,147
EQUITY:				
508	Investment in general capital assets	10,371,151	-	10,371,151
509	Restricted fund balance	-	13,787	13,787
512	Undesignated fund balance/retained earnings	2,513,700	-	2,513,700
513	TOTAL EQUITY	12,884,851	13,787	12,898,638
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 13,896,019	\$ 14,787	\$ 13,910,806

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
REVENUE:				
Tenant revenues:				
703	Net tenant rental revenue	\$ 910,429	\$ -	\$ 910,429
705	Total tenant revenue	910,429	-	910,429
Other revenues:				
706	HUD PHA grants	1,183,160	-	1,183,160
706.1	Capital Grants	-	110,500	110,500
711	Investment income - unrestricted	2,055	-	2,055
715	Other revenue	50,244	15,500	65,744
	Total other revenue	1,235,459	126,000	1,361,459
700	TOTAL REVENUE	2,145,888	126,000	2,271,888
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	287,539	-	287,539
915	Employee benefit contributions - administrative	173,789	-	173,789
919	Other operating - administrative	90,278	41,695	131,973
Tenant services:				
924	Tenant services-other	6,362	-	6,362
Utilities:				
931	Water	137,504	-	137,504
932	Electricity	32,562	-	32,562
933	Gas	5,172	-	5,172
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	431,083	-	431,083
942	Ordinary maintenance and operations - materials	130,282	-	130,282
943	Ordinary maintenance and operations - contract costs	263,874	-	263,874
945	Employee benefit contributions - ordinary maintenance	184,165	-	184,165
General expenses:				
961	Insurance premiums	77,758	-	77,758
962	Other general expenses	1,638	-	1,638
962.1	Compensated Absences	(604)	-	(604)
964	Bad debt - tenant rents	19,409	-	19,409
969	TOTAL OPERATING EXPENSES	1,840,811	41,695	1,882,506
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	305,077	84,305	389,382
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	27,116	75,979	103,095
974	Depreciation Expense	646,246	-	646,246
900	TOTAL EXPENSES	2,514,173	117,674	2,631,847
1000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(368,285)	8,326	(359,959)
1103	BEGINNING EQUITY	13,351,374	5,461	13,356,835
1104	Restatement	(98,238)	-	(98,238)
	ENDING EQUITY	\$ 12,884,851	\$ 13,787	\$ 12,898,638

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,129,575	\$ 2,129,575	\$ 2,139,161	\$ 9,586
OPERATING EXPENSES				
Personnel	1,172,188	1,172,188	1,018,010	154,178
Drainage maintenance	237,993	237,993	181,968	56,025
Indirect costs	110,222	110,222	97,778	12,444
Professional services	379,000	427,974	68,984	358,990
Contracted services	76,000	77,838	68,190	9,648
Office rent	56,584	56,584	55,841	743
Other	78,529	159,749	60,945	98,804
Total operating expenses	2,110,516	2,242,548	1,551,716	690,832
OPERATING INCOME (LOSS)	19,059	(112,973)	587,445	700,418
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	7,200	7,200	7,200	-
Interest on investments	800	800	2,294	1,494
Capital outlay	(430,000)	(1,111,053)	(86,353)	1,024,700
Appropriated fund balance	396,441	1,209,526	-	(1,209,526)
Total nonoperating revenues (expenses), net	(25,559)	106,473	(76,859)	(183,332)
INCOME (LOSS) BEFORE TRANSFERS	(6,500)	(6,500)	510,586	517,086
TRANSFERS				
Transfers In	6,500	6,500	5,741	(759)
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	516,327	\$ 516,327
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			1,743	
Accrued OPEB liability			(71,891)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			37,509	
Pension Expense			(3,079)	
Capital outlay			86,353	
Depreciation and amortization			(61,642)	
Change in net position			\$ 505,320	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,456,500	\$ 1,456,500	\$ 1,456,500	\$ -
OPERATING EXPENSES				
Operations	10,000	10,000	5,121	4,879
OPERATING INCOME	1,446,500	1,446,500	1,451,379	4,879
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	2,000	2,000	5,196	3,196
Capital outlay	(1,348,164)	(1,431,219)	(1,175,346)	255,873
Debt service	(906,833)	(906,833)	(906,833)	-
Proceeds from sale of capital assets	50,000	50,000	39,822	(10,178)
Appropriated fund balance	756,497	839,552	-	(839,552)
Total nonoperating revenues (expenses), net	(1,446,500)	(1,446,500)	(2,037,161)	(590,661)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(585,782)	\$ (585,782)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,204,685)	
Capital outlay			1,175,346	
Debt service principal			829,009	
Change in net position			\$ 213,888	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,243,300	\$ 1,243,300	\$ 1,310,702	\$ 67,402
OPERATING EXPENSES				
Personnel	568,316	517,916	512,864	5,052
Operations	666,165	766,565	758,329	8,236
Total operating expenses	1,234,481	1,284,481	1,271,193	13,288
OPERATING INCOME (LOSS)	8,819	(41,181)	39,509	80,690
NONOPERATING REVENUES (EXPENSES)				
Insurance recovery	20,000	20,000	11,694	(8,306)
Interest on investments	-	-	500	500
Contribution to reserve	(28,819)	-	-	-
Appropriated fund balance	-	21,181	-	(21,181)
Total nonoperating revenues (expenses), net	(8,819)	41,181	12,194	(28,987)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	51,703	\$ 51,703
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			12,019	
Accrued OPEB liability			(51,099)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year			29,497	
Pension Expense			(2,422)	
Depreciation and amortization			(583)	
Change in net position			\$ 39,115	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 159,970	\$ 159,970	\$ 159,970	\$ -
OPERATING EXPENSES				
Operations	159,970	168,183	167,144	1,039
OPERATING LOSS	-	(8,213)	(7,174)	1,039
NONOPERATING REVENUES				
Interest on investments	-	-	606	606
Proceeds from sale of capital assets	-	-	2,976	2,976
Appropriated fund balance	-	8,213	-	(8,213)
Total nonoperating revenues	-	8,213	3,582	(4,631)
Change in net position	\$ -	\$ -	\$ (3,592)	\$ (3,592)

This page intentionally left blank.

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30,2015

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Real & Personal property at current rate	\$ 7,447,017,329	0.524	\$ 39,008,228	\$ 36,763,877	\$ 2,244,351
Motor vehicles at prior year's rate	189,060	0.514	<u>972</u>	<u>-</u>	<u>972</u>
Total property valuation	\$ 7,447,206,389		\$ 39,009,200 a	\$ 36,763,877	\$ 2,245,323
Uncollected taxes at June 30, 2015			<u>159,250 c</u>	<u>135,888</u>	<u>23,362</u>
Current year's taxes collected			\$ 38,849,950 b	\$ 36,627,989	\$ 2,221,961
Current levy collection percentage			<u>99.59%</u>	<u>99.63%</u>	<u>98.96%</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 55,806,867	\$ 59,989,329	\$ 68,983,330	\$ 61,447,706	\$ 65,504,936	\$ 77,405,641	\$ 74,391,633	\$ 71,955,972	\$ 73,079,773	\$ 74,223,378
Restricted	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495	21,386,268
Unrestricted	19,554,289	23,279,530	24,337,458	35,270,865	23,907,746	12,887,944	(5,770,881)	1,169,561	(253,331)	(267,812)
Total governmental activities net assets	\$ 76,657,648	\$ 84,486,258	\$ 94,982,354	\$ 98,197,260	\$ 99,631,472	\$ 101,392,946	\$ 101,050,956	\$ 94,801,372	\$ 94,706,937	\$ 95,341,834
Business-type activities										
Net investment in capital assets	\$ 31,162,444	\$ 39,846,859	\$ 47,137,505	\$ 50,013,369	\$ 51,757,462	\$ 48,230,110	\$ 50,829,655	\$ 53,612,945	\$ 50,976,684	\$ 46,845,360
Unrestricted	8,403,465	8,036,693	9,767,773	10,915,522	12,777,277	12,762,741	4,652,158	7,003,344	8,802,655	9,100,051
Total business-type activities net assets	\$ 39,565,909	\$ 47,883,552	\$ 56,905,278	\$ 60,928,891	\$ 64,534,739	\$ 60,992,851	\$ 55,481,813	\$ 60,616,289	\$ 59,779,339	\$ 55,945,411
Primary government										
Net investment in capital assets	\$ 86,969,311	\$ 99,836,188	\$ 116,120,835	\$ 111,461,075	\$ 117,262,398	\$ 125,635,751	\$ 125,221,288	\$ 125,568,917	\$ 124,056,457	\$ 121,068,738
Restricted	1,296,492	1,217,399	1,661,566	1,478,689	10,218,790	11,099,361	32,430,204	21,675,839	21,880,495	21,386,268
Unrestricted	27,957,754	31,316,223	34,105,231	46,186,387	36,685,023	25,650,685	(1,118,723)	8,172,905	8,549,324	8,832,239
Total primary government net assets	\$ 116,223,557	\$ 132,369,810	\$ 151,887,632	\$ 159,126,151	\$ 164,166,211	\$ 162,385,797	\$ 156,532,769	\$ 155,417,661	\$ 154,486,276	\$ 151,287,245
Component unit										
Invested in capital assets, net of related debt	\$ 160,813,755	\$ 161,812,115	\$ 177,287,377	\$ 184,466,042	\$ 188,106,716	\$ 190,756,445	\$ 190,756,445	\$ 206,109,733	\$ 219,522,714	\$ 218,421,756
Restricted	1,925,585	9,405,757	1,322,469	1,232,718	1,253,614	98,616	98,616	151,600	187,910	222,470
Unrestricted	6,611,972	6,453,532	5,993,719	15,140,975	21,113,133	26,865,314	26,865,314	25,876,182	18,686,692	26,899,507
Total component unit net assets	\$ 169,351,312	\$ 177,671,404	\$ 184,603,565	\$ 200,839,735	\$ 210,473,463	\$ 217,720,375	\$ 217,720,375	\$ 232,137,515	\$ 238,397,316	\$ 245,543,733

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Expenses										
General government	\$ 4,327,313	\$ 5,780,346	\$ 6,528,356	\$ 7,750,437	\$ 7,447,434	\$ 8,672,259	\$ 9,246,224	\$ 10,074,521	\$ 10,010,914	\$ 10,195,729
Environment and development	21,954,945	25,719,997	29,260,757	24,840,378	22,960,472	18,613,025	21,804,182	32,680,272	23,481,833	20,231,149
Public safety	17,003,191	17,844,886	18,593,745	19,536,555	19,932,175	20,363,725	21,140,258	21,357,911	21,303,785	21,007,366
Leisure activities	4,947,783	4,977,126	5,649,567	8,668,206	9,685,124	9,725,448	10,245,527	11,191,585	11,131,488	11,239,822
Nondepartmental	1,475,398	-	-	-	-	-	-	-	-	-
Interest	887,200	2,008,005	2,210,521	1,969,585	1,991,035	2,046,519	2,453,129	2,880,837	2,300,475	2,168,703
Total expenses	50,595,830	56,330,360	62,242,946	62,765,161	62,016,240	59,420,976	64,889,320	78,185,126	68,228,495	64,842,769
Program Revenues										
Charges for services:										
General government	\$ 564,548	\$ 2,538,610	\$ 1,642,521	\$ 1,670,604	\$ 1,741,760	\$ 1,774,913	\$ 1,731,073	\$ 1,707,833	\$ 1,874,861	\$ 1,747,363
Environment and development	3,225,722	1,147,843	3,167,844	3,059,049	2,098,051	2,020,263	2,172,242	2,801,220	2,960,803	2,838,720
Public safety	65,244	76,287	99,946	110,137	130,338	117,747	93,583	100,112	368,938	413,873
Leisure activities	655,976	642,478	587,957	786,346	905,626	952,478	952,023	1,031,436	1,044,868	1,045,413
Operating grants and contributions:										
General government	-	-	-	-	-	63,536	-	-	-	-
Environment and development	13,255,667	3,347,410	3,496,677	2,516,767	2,317,442	2,357,451	2,204,526	2,474,971	2,888,753	2,343,069
Public safety	2,190,476	1,318,224	1,700,774	1,691,179	1,842,949	1,452,984	1,172,182	1,165,774	1,374,748	1,158,731
Leisure activities	333,346	291,129	377,861	384,824	375,738	372,786	462,978	531,466	595,494	711,614
Capital grants and contributions:										
Environment and development	913,613	9,154,416	16,641,248	8,331,927	6,797,577	3,169,734	2,942,009	10,246,880	2,671,685	346,064
Leisure activities	-	-	-	-	-	85,677	182,506	182,507	797,386	476,120
Total program revenues	21,204,592	18,516,397	27,714,828	18,550,833	16,209,481	12,367,569	11,913,122	20,242,199	14,577,536	11,080,967
Total governmental activities net program expense	\$ (29,391,238)	\$ (37,813,963)	\$ (34,528,118)	\$ (44,214,328)	\$ (45,806,759)	\$ (47,053,407)	\$ (52,976,198)	\$ (57,942,927)	\$ (53,650,959)	\$ (53,761,802)
General revenues and other changes in net position										
Property taxes	\$ 25,267,247	\$ 26,102,086	\$ 27,783,703	\$ 31,162,920	\$ 32,171,735	\$ 32,612,118	\$ 33,083,532	\$ 33,306,516	\$ 34,876,543	\$ 35,617,280
Sales tax	9,138,060	9,594,569	9,758,126	9,033,512	8,765,035	8,941,463	9,765,972	10,049,247	10,548,129	11,444,089
Occupancy tax	783,509	991,081	985,069	891,857	806,686	872,115	956,496	981,716	1,044,856	1,100,478
Other taxes	582,638	368,073	141,157	112,700	41,173	51,708	56,452	58,492	59,698	65,384
Grants and contributions not restricted										
Investment earnings	1,689,568	1,670,377	1,112,630	261,025	88,220	71,324	34,258	91,575	34,491	39,476
Miscellaneous	1,695,701	1,361,301	1,476,357	1,191,127	1,293,759	2,133,013	3,342,645	2,486,465	1,792,297	3,307,397
Transfers	586,538	2,619,973	230,155	944,494	366,331	226,775	1,480,055	728,692	1,200,050	946,753
Total general revenues and other changes in net position	42,302,790	45,642,573	45,024,214	47,429,234	47,240,971	48,814,881	52,634,208	51,693,343	53,556,524	57,864,939
Total governmental activities changes in net position	\$ 12,911,552	\$ 7,828,610	\$ 10,496,096	\$ 3,214,906	\$ 1,434,212	\$ 1,761,474	\$ (341,990)	\$ (6,249,584)	\$ (94,435)	\$ 4,103,137

Continued

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

Table 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Expenses										
Transportation	\$ 13,280,263	\$ 14,881,026	\$ 16,215,262	\$ 18,366,495	\$ 19,829,286	\$ 20,945,401	\$ 21,454,457	\$ 21,819,683	\$ 21,286,421	\$ 21,803,767
Parking	1,590,227	1,585,035	1,612,632	1,736,772	1,776,168	1,785,780	2,212,712	1,940,918	2,101,226	1,901,853
Housing	1,119,963	1,209,350	2,203,200	2,276,917	2,057,066	1,982,144	2,204,546	2,380,410	3,016,395	2,514,173
Stormwater	2,257,924	2,263,074	1,391,604	1,635,510	1,618,926	1,739,239	1,825,682	1,765,150	1,799,370	1,649,076
Total expenses	18,248,377	19,938,485	21,422,698	24,015,694	25,281,446	26,452,564	27,697,397	27,906,161	28,203,412	27,868,869
Program Revenues										
Charges for services:										
Transportation	\$ 608,420	\$ 694,445	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432	\$ 1,359,239	\$ 1,354,987	\$ 1,565,824	\$ 1,499,429
Parking	2,080,546	2,138,673	2,102,350	2,043,999	1,921,724	1,879,797	2,071,035	2,125,253	2,395,883	2,500,498
Housing	1,651,616	417,725	453,821	415,568	402,701	507,305	618,132	800,165	882,363	910,630
Stormwater	379,582	1,741,379	1,711,271	1,740,119	1,768,208	1,841,152	1,814,911	1,932,991	2,152,429	2,139,161
Operating grants and contributions:										
Transportation	9,859,005	10,609,529	11,592,845	12,915,589	13,909,345	12,942,449	10,829,469	15,385,447	13,985,562	14,327,136
Housing	1,040,017	1,080,526	1,155,687	1,371,614	1,491,477	1,559,586	1,319,472	1,150,068	1,231,670	1,183,160
Stormwater	-	-	-	15,295	-	-	-	-	-	-
Capital grants and contributions:										
Transportation	10,320,462	11,150,111	9,927,751	6,845,483	5,665,439	180,119	1,804,533	8,952,435	176,358	5,429
Housing	-	-	-	-	-	19,877	1,079,687	-	2,077,462	-
Total program revenues	25,939,648	27,832,388	27,556,632	26,082,809	26,287,922	20,026,717	20,896,478	31,701,346	24,467,551	22,565,443
Total business-type activities net program expense	\$ 7,691,271	\$ 7,893,903	\$ 6,133,934	\$ 2,067,115	\$ 1,006,476	\$ (6,425,847)	\$ (6,800,919)	\$ 3,795,185	\$ (3,735,861)	\$ (5,303,426)
General revenues and other changes in net position										
Property taxes	\$ 2,547,914	\$ 2,623,726	\$ 2,794,787	\$ 2,801,353	\$ 2,890,870	\$ 2,929,657	\$ 2,965,320	\$ 2,987,412	\$ 3,794,976	\$ 3,798,723
Investment earnings	281,467	426,554	270,583	66,369	36,054	25,411	8,709	10,765	15,644	18,067
Miscellaneous	28,786	(6,567)	52,577	33,270	38,779	155,666	(204,093)	(930,194)	288,341	117,907
Transfers	(586,538)	(2,619,973)	(230,155)	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)	(946,753)
Total general revenues and other changes in net position	2,271,629	423,740	2,887,792	1,956,498	2,599,372	2,883,959	1,289,881	1,339,291	2,898,911	2,987,944
Total business-type activities changes in net position	\$ 9,962,900	\$ 8,317,643	\$ 9,021,726	\$ 4,023,613	\$ 3,605,848	\$ (3,541,888)	\$ (5,511,038)	\$ 5,134,476	\$ (836,950)	\$ (2,315,482)
Total primary government changes in net position	\$ 22,874,452	\$ 16,146,253	\$ 19,517,822	\$ 7,238,519	\$ 5,040,060	\$ (1,780,414)	\$ (5,853,028)	\$ (1,115,108)	\$ (931,385)	\$ 1,787,655

Continued

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

Table 2

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Component unit activities:										
Expenses	\$ 25,520,643	\$ 28,043,089	\$ 27,760,906	\$ 30,379,597	\$ 31,801,115	\$ 31,840,832	\$ 31,801,115	\$ 31,664,425	\$ 31,648,089	\$ 31,716,920
Program Revenues										
Charges for services	24,431,382	25,411,160	28,794,093	29,537,290	36,489,149	36,003,830	36,489,149	35,457,613	35,843,032	36,960,842
Capital grants and contributions	3,459,835	7,425,786	3,316,663	14,493,988	2,467,785	1,269,560	2,467,785	420,251	849,325	1,374,711
Total component unit revenues	<u>27,891,217</u>	<u>32,836,946</u>	<u>32,110,756</u>	<u>44,031,278</u>	<u>38,956,934</u>	<u>37,273,390</u>	<u>38,956,934</u>	<u>35,877,864</u>	<u>36,692,357</u>	<u>38,335,553</u>
Total component unit net (expense)/revenue	<u>\$ 2,370,574</u>	<u>\$ 4,793,857</u>	<u>\$ 4,349,850</u>	<u>\$ 13,651,681</u>	<u>\$ 7,155,819</u>	<u>\$ 5,432,558</u>	<u>\$ 7,155,819</u>	<u>\$ 4,213,439</u>	<u>\$ 5,044,268</u>	<u>\$ 6,618,633</u>
General revenues and other changes in net position										
Investment earnings	742,010	-	584,031	1,918,195	17,964	29,261	17,964	15,664	14,755	15,133
Miscellaneous	2,308,651	-	1,998,280	-	1,918,195	1,785,093	1,918,195	1,885,640	1,200,778	1,429,244
Total general revenues and other changes in net position	<u>3,050,661</u>	<u>-</u>	<u>2,582,311</u>	<u>1,918,195</u>	<u>1,936,159</u>	<u>1,814,354</u>	<u>1,936,159</u>	<u>1,901,304</u>	<u>1,215,533</u>	<u>1,444,377</u>
Total component unit activities changes in net position	<u>\$ 5,421,235</u>	<u>\$ 4,793,857</u>	<u>\$ 6,932,161</u>	<u>\$ 15,569,876</u>	<u>\$ 9,091,978</u>	<u>\$ 7,246,912</u>	<u>\$ 9,091,978</u>	<u>\$ 6,114,743</u>	<u>\$ 6,259,801</u>	<u>\$ 8,063,010</u>

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

Table 3a

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

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

Table 3b

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund				
Reserved for:				
State statute	\$ 3,912,064	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811
Encumbrances	1,297,402	1,272,671	1,524,640	1,079,576
Inventories	1,928	2,728	2,470	2,599
Capital improvements	381,258	231,128	353,915	364,815
Prepaid items	-	-	355,140	-
Other	212,620	323,997	332,888	321,798
Total reserved	<u>5,805,272</u>	<u>7,060,538</u>	<u>9,378,441</u>	<u>6,468,599</u>
Unreserved:				
Designated for subsequent year's expenditures	1,879,000	4,315,000	2,743,874	3,134,373
Undesignated	9,911,161	6,515,807	7,773,811	11,690,555
Total General Fund	<u>\$ 17,595,433</u>	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>
All Other Governmental Funds				
Reserved for:				
Capital improvements	\$ 17,772,776	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692
State Statute	2,069,240	2,058,864	272,580	325,537
Encumbrances	1,111,691	871,343	408,663	373,427
Inventories	-	-	16,538	16,538
Interest subsidies	68,108	129,523	-	-
Other	394,878	435,030	1,153,789	467,125
Debt service	635,619	641,042	-	1,043,175
Total reserved	<u>22,052,312</u>	<u>18,204,521</u>	<u>9,026,979</u>	<u>8,708,494</u>
Unreserved, reported in:				
Special revenue funds	133,262	39,047	608,640	381,005
Capital projects funds	(1,458,927)	(1,669,821)	1,978,767	2,190,234
Total all other governmental funds	<u>\$ 20,726,647</u>	<u>\$ 16,573,747</u>	<u>\$ 11,614,386</u>	<u>\$ 11,279,733</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes	\$ 35,771,454	\$ 37,055,809	\$ 38,668,055	\$ 41,200,989
Intergovernmental	19,252,631	17,046,292	25,753,577	16,756,296
Charges for services	2,617,171	2,503,992	2,826,213	3,216,330
Licenses and permits	1,652,945	1,590,653	1,721,627	2,200,422
Interest	1,689,568	1,670,377	1,112,630	261,025
Other	1,937,075	1,654,137	2,426,785	1,400,511
Total Revenues	<u>62,920,844</u>	<u>61,521,260</u>	<u>72,508,887</u>	<u>65,035,573</u>
Expenditures				
General government	4,079,736	5,634,423	6,190,609	7,272,596
Environment and development	25,761,076	27,478,666	25,779,963	21,590,608
Public safety	16,900,363	17,666,485	18,567,074	18,686,914
Leisure activities	4,282,116	4,224,267	4,897,425	7,398,605
Nondepartmental	1,475,398	-	-	-
Capital projects	16,676,455	15,964,112	14,012,030	3,836,343
Debt Service:				
Principal	2,180,000	3,090,000	4,015,000	4,000,000
Interest	887,200	2,008,005	2,210,521	1,969,585
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>72,242,344</u>	<u>76,065,958</u>	<u>75,672,622</u>	<u>64,754,651</u>
Excess of revenues over (under) expenditures	<u>(9,321,500)</u>	<u>(14,544,698)</u>	<u>(3,163,735)</u>	<u>280,922</u>
Other Financing Sources (Uses)				
Transfers in	7,450,039	17,737	8,473,343	2,573,984
Transfers out	(6,863,501)	10,878,467	(8,264,188)	(1,792,158)
Proceeds from bonds	-	4,967,737	-	-
Advance refunding	-	-	-	-
Premium on debt	-	-	-	-
Proceeds from installment notes	-	3,100,000	-	-
Total other financing sources (uses)	<u>586,538</u>	<u>18,963,941</u>	<u>209,155</u>	<u>781,826</u>
Net change in fund balances	<u>\$ (8,734,962)</u>	<u>\$ 4,419,243</u>	<u>\$ (2,954,580)</u>	<u>\$ 1,062,748</u>
Debt service as a percentage of non capital expenditures	6.01%	8.78%	10.02%	9.75%

Table 4

Fiscal Year							
	2010	2011	2012	2013	2014	2015	
\$	41,784,629	\$ 42,477,404	\$ 43,862,452	\$ 44,395,971	\$ 46,529,226	\$ 48,227,231	
	15,041,738	11,408,533	10,878,999	18,592,238	12,328,526	10,379,680	
	2,832,317	3,189,110	2,892,632	3,133,935	3,435,270	3,475,157	
	1,765,769	1,591,840	1,917,775	2,369,155	2,683,188	2,392,108	
	88,220	71,324	34,258	91,575	34,491	39,476	
	1,304,865	1,685,586	1,342,021	2,623,976	1,923,309	3,485,501	
	62,817,538	60,423,797	60,928,137	71,206,850	66,934,010	67,999,153	
	7,337,428	8,280,508	8,838,537	9,493,289	9,541,046	9,589,280	
	20,858,543	13,970,608	13,666,918	14,398,580	14,745,265	15,340,737	
	19,082,389	19,733,207	19,323,824	19,547,468	19,946,007	20,362,042	
	8,038,538	8,051,450	8,094,096	8,719,780	8,449,100	8,772,826	
	-	-	-	-	-	-	
	2,778,610	5,102,513	11,116,359	29,185,322	9,313,279	3,696,507	
	8,520,000	3,485,000	4,490,000	4,995,000	4,904,000	4,594,000	
	1,991,035	1,996,991	2,271,774	2,294,854	2,300,475	2,168,703	
	-	-	-	344,867	-	-	
	-	49,528	181,355	241,116	-	-	
	68,606,543	60,669,805	67,982,863	89,220,276	69,199,172	64,524,095	
	(5,789,005)	(246,008)	(7,054,726)	(18,013,426)	(2,265,162)	3,475,058	
	2,047,910	2,157,492	2,237,579	3,348,562	3,744,153	3,989,863	
	(1,548,465)	(1,930,717)	(758,199)	(2,619,870)	(2,544,103)	(3,043,110)	
	4,490,000	20,941,878	33,455,000	1,700,000	-	-	
	-	-	(26,499,557)	3,050,000	-	-	
	266,583	-	4,683,695	(2,700,000)	-	-	
	-	-	-	-	-	2,395,000	
	5,256,028	21,168,653	13,118,518	2,778,692	1,200,050	3,341,753	
\$	<u>(532,977)</u>	<u>20,922,645</u>	<u>6,063,792</u>	<u>(15,234,734)</u>	<u>(1,065,112)</u>	<u>6,816,811</u>	
	16.17%	9.72%	10.94%	10.25%	11.31%	10.94%	

This page intentionally left blank.

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>
2006	25,267,247	9,138,060	783,509	582,638	35,771,454
2007	26,102,086	9,594,569	991,081	368,073	37,055,809
2008	27,783,706	9,758,126	985,069	141,157	38,668,058
2009	31,162,920	9,033,512	891,857	112,700	41,200,989
2010	32,171,735	8,765,035	806,686	41,173	41,784,629
2011	32,612,118	8,941,463	872,115	51,708	42,477,404
2012	33,083,532	9,765,972	956,496	56,452	43,862,452
2013	33,306,516	10,049,247	981,716	58,492	44,395,971
2014	34,876,543	10,548,129	1,044,856	59,698	46,529,226
2015	39,416,003	11,444,089	1,100,478	65,384	52,025,954

Notes:

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

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

Fiscal Year		Residential Property	Commercial Property	Combined Real Property	Personal Property
2006	(1)	3,956,681,069	783,355,893	4,740,036,962	498,524,879
2007		3,640,445,489	1,249,997,134	4,890,442,623	520,961,320
2008		3,825,506,198	1,313,540,280	5,139,046,478	460,567,284
2009		3,945,477,182	1,354,733,971	5,300,211,153	471,708,077
2010	(1)	4,855,643,567	1,667,252,143	6,522,895,710	455,030,840
2011		5,133,443,183	1,762,638,471	6,896,081,654	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		*	*	6,862,387,124	519,383,543

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

Notes:

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

Table 6

Public Service Companies	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Assessed Value to Estimated Actual Value
(3)		(4)	(5)	(6)
60,840,533	5,299,402,374	0.522	5,905,284,571	89.74%
61,554,945	5,472,958,888	0.522	6,582,822,815	83.14%
60,142,623	5,659,756,385	0.522	6,807,501,064	83.14%
63,678,158	5,835,597,388	0.581	5,896,329,583	98.97%
67,647,776	7,045,574,326	0.494	7,141,991,207	98.65%
62,491,249	7,411,059,390	0.494	7,477,610,120	99.11%
63,232,013	7,264,762,419	0.494	7,200,106,033	99.11%
66,253,143	7,304,497,468	0.494	7,583,529,271	103.82%
66,762,306	7,463,253,905	0.514	7,188,606,161	96.32%
65,246,662	7,447,017,329	0.524	7,290,629,965	97.90%

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

Year Taxes Payable	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Chapel Hill within Orange County:	*			
<u>Town Direct Rates:</u>				
General Fund	0.474	0.474	0.474	0.423
Transit	0.048	0.048	0.048	0.048
Debt Service **	-	-	-	0.110
Total outside Downtown Service District	0.522	0.522	0.522	0.581
Downtown Service District	0.053	0.090	0.090	0.071
Total Direct Rates	0.575	0.612	0.612	0.652
 <u>Overlapping Rates:</u>				
Orange County	0.843	0.903	0.950	0.998
Chapel Hill - Carrboro School District	0.183	0.189	0.204	0.230
Total Overlapping Rates	1.026	1.092	1.154	1.228
 Total Direct and Overlapping Rates	1.601	1.704	1.766	1.880
 Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.474	0.474	0.474	0.423
Transit	0.048	0.048	0.048	0.048
Debt Service	-	-	-	0.110
Total Direct Rates	0.522	0.522	0.522	0.581
 <u>Overlapping Rates:</u>				
Durham County	0.809	0.809	0.834	0.708
 Total Direct and Overlapping rates	1.331	1.331	1.356	1.289

* Revaluation year

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

Source: North Carolina State Department of Revenue.

Table 7

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
*					
0.360	0.360	0.378	0.378	0.388	0.388
0.041	0.041	0.041	0.041	0.051	0.051
0.093	0.093	0.075	0.075	0.075	0.085
0.494	0.494	0.494	0.494	0.514	0.524
0.071	0.071	0.071	0.071	0.071	0.071
0.565	0.565	0.565	0.565	0.585	0.595
0.858	0.858	0.858	0.858	0.858	0.878
0.188	0.188	0.188	0.188	0.208	0.208
1.046	1.046	1.046	1.046	1.066	1.086
1.611	1.611	1.611	1.611	1.651	1.681
0.360	0.360	0.378	0.378	0.388	0.388
0.041	0.041	0.041	0.041	0.051	0.051
0.093	0.093	0.075	0.075	0.075	0.085
0.494	0.494	0.494	0.494	0.514	0.524
0.690	0.746	0.746	0.744	0.744	0.744
1.184	1.240	1.240	1.238	1.258	1.268

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

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

Taxpayer	Type of Business
Northwestern Mutual Life (Chapel Watch Apartments)	Apartment Rental
Corium LLC	Office Building
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
East 54 Associates	Development
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
ACC GF III Chapel Ridge/Chapel View	Apartment Rental
Europa Center LLP	Office Building
Granville Towers LLC	Apartment Rental
Greenbridge Development LLC	Residential Condos
Southern Village Apartments	Apartment Rental
Chapel Hill Foundation Real Estate (University Square) (formerly US GT LLC)	Shopping Center
Southeast Region IV LLC	Apartment Rental
Blue Cross and Blue Shield of North Carolina	Health Insurance
Vac Limited Partnership	Apartment Rental
Bell South Telephone Company	Public Utility
Meadowmont JV LLC	Development

Totals

Total assessed valuation

Sources:

- (1) 2005-2006 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2015			Fiscal Year 2006		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
38,627,273	1	0.52%			
36,433,531	2	0.49%	32,584,496	6	0.73%
35,999,514	3	0.48%	21,587,194	10	0.48%
35,239,900	4	0.47%			
35,174,472	5	0.47%	36,437,198	4	0.82%
34,214,712	6	0.46%			
27,816,248	7	0.37%	24,868,917	7	0.56%
27,414,585	8	0.37%			
27,371,000	9	0.37%			
25,600,702	10	0.34%	49,895,519	1	1.12%
			43,904,279	2	0.98%
			41,499,386	3	0.93%
			36,043,449	5	0.81%
			24,845,855	8	0.56%
			22,315,802	9	0.50%
<u>\$ 52,971,702</u>		<u>0.71%</u>	<u>\$ 333,982,095</u>		<u>7.49%</u>
<u>\$ 7,447,017,329</u>			<u>\$ 4,458,136,168</u>		

This page intentionally left blank.

**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	
2006	27,718,753	27,578,410	99.49%	124,143	27,702,553	99.94%	*
2007	28,558,565	28,409,166	99.48%	111,769	28,520,935	99.87%	*
2008	30,412,485	30,240,782	99.44%	145,619	30,386,401	99.91%	(1) 115,177
2009	33,972,050	33,779,684	99.43%	139,190	33,918,874	99.84%	53,176
2010	35,119,150	34,836,717	99.20%	254,454	35,091,171	99.92%	27,979
2011	35,604,158	35,284,111	99.10%	258,936	35,543,047	99.83%	61,111
2012	35,887,926	35,604,067	99.21%	-	35,604,067	99.21%	283,859
2013	36,084,217	35,809,148	99.24%	-	35,809,148	99.24%	275,069
2014	38,361,125	38,115,148	99.36%	-	38,115,148	99.36%	245,977
2015	39,009,200	38,849,950	99.59%	-	38,849,950	99.59%	159,250

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

Notes:

(1) This amount represents the cumulative delinquent taxes for years 2008 and prior.

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

Governmental Activities					
Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Certificates of Participation	Installment Loans	Orange County Loan
2006	18,545,000	-	25,500,000	5,668,038	123,146
2007	21,630,000	-	24,500,000	9,424,561	123,146
2008	19,515,000	-	23,135,000	9,080,308	123,146
2009	17,415,000	-	21,770,000	7,355,887	123,146
2010	15,285,000	-	20,405,000	7,484,449	123,146
2011	34,110,000	-	19,040,000	7,452,516	123,146
2012	31,445,000	28,800,000	-	4,650,441	123,146
2013	30,820,000	26,585,000	-	4,172,666	123,146
2014	28,141,000	24,465,000	-	3,890,775	123,146
2015	25,662,000	22,350,000	-	5,456,766	123,146

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

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

Table 10

Business-type Activities	Total Primary Government	Per Capita Personal Income	Per Capita (1)	Percentage of Personal Income (1)
5,925,000	55,761,184	38,629	1,064	4.40%
5,680,000	61,357,707	41,435	1,149	2.77%
5,430,000	57,283,454	41,435	1,043	2.52%
5,165,000	51,829,033	43,844	932	2.13%
4,895,000	48,192,595	47,063	849	1.80%
4,615,000	65,340,662	47,925	1,142	2.38%
-	65,018,587	46,713	1,126	2.41%
-	61,700,812	48,683	1,068	2.19%
-	56,619,921	51,702	980	1.90%
-	53,591,912	52,339	898	1.72%

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

Fiscal Year	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General bonded debt outstanding				
General obligation bonds	\$ 18,545,000	\$ 21,630,000	\$ 19,515,000	\$ 17,415,000
Percentage of estimated actual property value (1)	0.38%	0.40%	0.34%	0.30%
Per capita (2)	\$ 480	\$ 522	\$ 471	\$ 397

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

(1) See Table 6 for property value data.

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

Table 11

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 15,285,000	\$ 34,110,000	\$ 31,445,000	\$ 30,820,000	\$ 28,141,000	\$ 25,662,000
0.22%	0.46%	0.43%	0.42%	0.38%	0.34%
\$ 325	\$ 712	\$ 673	\$ 633	\$ 544	\$ 490.30

This page intentionally left blank.

**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015**

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	\$ 68,355,000	42.08%	\$ 28,760,946
Durham County	295,033,765	1.70%	5,005,085
Total overlapping debt			<u>33,766,031</u>
Total direct debt			<u>53,591,912</u>
Total direct and overlapping debt			<u><u>\$ 87,357,943</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total assessed valuation	\$ 5,299,402,374	\$ 5,472,958,888	\$ 5,659,756,385	\$ 5,835,597,388
Debt limit - 8% of total assessed valuation	423,952,190	437,836,711	452,780,511	466,847,791
General obligation bonds	18,545,000	21,630,000	19,515,000	17,415,000
Bonds authorized but unissued	25,360,000	20,410,000	20,410,000	20,410,000
Net debt applicable to debt limit	<u>43,905,000</u>	<u>42,040,000</u>	<u>39,925,000</u>	<u>37,825,000</u>
Legal debt margin	<u>\$ 380,047,190</u>	<u>\$ 395,796,711</u>	<u>\$ 412,855,511</u>	<u>\$ 429,022,791</u>
Legal debt margin as a percentage of the debt limit	89.64%	90.40%	91.18%	91.90%

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, 2015 totalled \$25,662,000
This total is less than 1% of the Town's June 30, 2015 tax base (\$7.45 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2014/2015 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 7,045,574,326	\$ 7,411,059,390	\$ 7,264,762,419	\$ 7,304,497,468	\$ 7,463,253,905	\$ 7,447,017,329
563,645,946	592,884,751	581,180,994	584,359,797	597,060,312	595,761,386
15,285,000	34,110,000	31,445,000	30,820,000	28,141,000	25,662,000
20,410,000	-	-	-	-	-
<u>35,695,000</u>	<u>34,110,000</u>	<u>31,445,000</u>	<u>30,820,000</u>	<u>28,141,000</u>	<u>25,662,000</u>
<u>\$ 527,950,946</u>	<u>\$ 558,774,751</u>	<u>\$ 549,735,994</u>	<u>\$ 553,539,797</u>	<u>\$ 568,919,312</u>	<u>\$ 570,099,386</u>
93.67%	94.25%	94.59%	94.73%	95.29%	95.69%

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

Table 14

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(3)	(4)	(5)
2006	52,397	4,631,572	38,629	24.2	15.82	35,260	3.0%
2007	53,416	5,060,894	41,435	24.2	15.82	38,718	2.9%
2008	54,903	5,060,894	41,435	24.2	15.82	39,864	3.1%
2009	55,616	5,450,187	43,844	24.2	15.82	40,316	4.5%
2010	56,778	5,976,341	47,063	25.6	15.82	39,428	5.6%
2011	57,233	6,186,352	47,925	25.6	15.82	41,139	5.4%
2012	57,757	6,268,886	46,713	25.6	15.82	41,059	5.6%
2013	58,424	6,608,945	48,683	25.6	15.82	41,402	5.6%
2014	59,271	7,131,776	51,702	25.3	15.82	41,242	4.4%
2015	59,653	7,345,876	52,339	25.3	15.82	41,176	4.9%

Notes:

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

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

Table 15

Taxpayer	Fiscal Year 2015			Fiscal Year 2006		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
University of North Carolina at Chapel Hill	18000+	1		15,437	1	35.48%
University of North Carolina Hospitals	8000+	2	Not available	6,102	2	14.02%
Carrboro-Chapel Hill Schools	1000+	3	available	2,105	3	4.84%
Blue Cross Blue Shield of NC	800+	4		1,373	4	3.16%
Town of Chapel Hill	700+	5		671	5	1.54%
			<u>Not available</u>	<u>25,688</u>		<u>59.04%</u>
Total Town Employment	<u>Not available</u>			<u>43,510</u>		

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

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

Function/Program	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government:				
Finance				
Purchase orders issued	2,135	2,386	2,222	1,411
Human Resources				
Recruitment for positions	74	79	84	88
Public Works				
Streets resurfaced (miles)	5.45	5.71	5.71	5.87
Refuse collected (tons)	21,838	21,541	19,821	16,502
Economic and development:				
Planning/Inspections				
Building permits issued	716	755	610	692
Public safety:				
Police				
Calls for service*	32,871	42,428	42,691	34,273
Traffic citations	4,885	6,716	6,439	5,605
Fire				
Emergency responses	2,208	3,349	2,274	2,352
Property losses	\$ 594,200	\$ 3,312,435	\$ 2,875,631	\$ 2,317,857
Inspections	1,218	730	714	1,436
Leisure activities:				
Parks and Recreation				
Program/league registrants**	38,141	35,250	35,758	35,389
Pass memberships				
Class registrations				
Daily visits				
Transit				
Service miles	2,479,470	2,396,497	2,247,250	2,190,575
Parking				
Citations issued	20,043	18,731	18,864	17,136
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***	258	193	223	234

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

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

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

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

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year						
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
	1,275	1,278	1,350	1,372	1,214	1,279
	72	54	39	43	68	99
	8.09	n/a	6.4	6.0	5.88	5.88
	15,501	14,700	14,656	14,711	14,746	14,082
	792	581	1,007	884	1,006	967
	44,588	36,596	36,206	36,094	36,088	37,804
	5,590	4,664	4,996	5,087	5,721	6,709
	4,113	4,723	4,318	4,194	4,109	4,388
\$	2,315,123	\$ 880,880	\$ 1,418,764	\$ 2,449,214	\$ 2,244,585	\$ 1,001,991
	2,334	1,155	1,252	761	757	946
	n/a	n/a	n/a	n/a	n/a	n/a
	3,168	2,719	3,631	5,514	4,195	4,123
	2,563	3,086	6,142	3,797	5,207	4,507
	131,840	118,605	114,450	115,503	108,569	104,728
	2,938,507	2,800,468	2,598,465	2,467,578	2,614,684	2,372,166
	16,977	14,949	13,130	12,968	12,970	10,465
	n/a	n/a	n/a	n/a	n/a	n/a

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

Function/Program	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government:				
Public Works				
Streets (miles)	162.3	164.2	165.1	164.9
Street lights	3,005	3,075	3,161	3,260
Public Safety:				
Police				
Patrol units	4	4	5	5
Investigative units	2	2	2	2
Other specialty units	3	3	2	3
Fire				
Number of stations	5	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	17	17	15	15
Library				
Volumes in circulation	168,109	170,586	178,687	164,040
Transportation				
Number of buses	86	89	98	96
Number of vans	18	18	15	15
Parking				
Number of spaces available	887	890	880	913
Housing				
Number of units occupied	329	320	316	322

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
165.3	165.4	165.7	162.7	165.2	165.2	
3,313	3,313	3,396	3,422	3,425	3,491	
5	5	5	5	5	5	
2	2	2	2	2	2	
5	4	4	4	4	4	
5	5	5	5	5	5	
15	15	15	15	15	14	
181,046	182,800	186,290	200,105	216,985	204,271	
99	98	98	99	98	98	
19	19	19	17	19	19	
957	948	957	1,111	1,189	1,189	
326	321	308	321	321	321	

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

Table 18

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	6	7.53	6.8	7	8	8	9.8	7	11.75	11.75
Communication and Public Affairs	4.53	4.53	7.53	9.13	9.13	9.13	7.33	6.53	7.53	7.53
Human resources	8	8	8	8	8	8	8	8	8	7
Finance	12.33	12.33	12.53	14	14	14	15	15	15	16
Technology solutions	7	7	7	8	8	9	8	8	9	9
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning	16.19	18.56	19.56	21.1	21.06	20.53	20.53	17.75	15.75	15.75
Public Works (B,C)	129	124	114	78	76.75	85	76.25	65.25	71.25	71.25
Inspections	9	9	9	8	8	8	8	8	8	12
Engineering	11.8	19	20	23	23	23	23	23	23	23
Public Safety:										
Police	138	144	144	144	144	145	145	139	138	136
Fire	74.53	86.53	86.53	93.5	93.53	93.53	93.53	90	92	92
Leisure activities:										
Parks & Recreation (B)	22.79	23.26	22.59	56.79	58.84	58.84	58.84	53.51	54.01	54.41
Library	28	29	29	29.2	29.2	29.08	29.08	30.39	26.63	30.09
Transit	164.59	167.79	171.46	176	185.98	195.33	195.33	171.73	178.41	183.79
Parking	12.8	12.8	12.8	12.8	12.8	12.8	12.8	11.8	11.8	11.8
Housing	18	17	18	18	18	17	17	16	16	16
Stormwater (A,C)	5.2	5.2	7	14	14	14	14	14	14	14
Vehicle Maintenance	-	-	-	-	-	-	-	7.75	7.75	7.75
Downtown Service	-	-	-	-	-	-	-	1	1	1
Total	670.76	698.53	698.8	723.52	735.29	753.24	744.49	696.71	711.88	723.12

Notes:

- (A) The Stormwater Management Fund was established in 2004-2005.
- (B) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.
- (C) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.

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

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 27, 2015

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

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

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance With OMB Circular A-133; 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 *Circular A-133 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, 2015. The Town of Chapel Hill's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 27, 2015

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

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

Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; 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, 2015. The Town of Chapel Hill's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Chapel Hill's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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.

730 13th Avenue Drive SE ♦ Hickory, North Carolina 28602 ♦ Phone 828-327-2727 ♦ Fax 828-328-2324
13 South Center Street ♦ Taylorsville, North Carolina 28681 ♦ Phone 828-632-9025 ♦ Fax 828-632-9085
Toll Free Both Locations 1-800-948-0585 ♦ Website: www.martinstarnes.com

Opinion on Each Major State Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 27, 2015

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Non-compliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

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

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
CDBG - Entitlement Program	14.218
Public and Indian Housing - Operating	14.850
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Transit Services Programs Cluster	20.513, 20.516, 20.521

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

Auditee qualified as low-risk auditee? X Yes _____ No

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None.

This page intentionally left blank.

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
FEDERAL ASSISTANCE						
U.S. Department of Transportation						
<i>Direct Programs:</i>						
FEDERAL TRANSIT CLUSTER:						
Federal Transit Administration - Federal Transit Capital and Investment Grant	20.507	NC-04-0005	275,392	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X436-00	633,142	4,343	-	1,086
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X519-00	45,633	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-95-X041-00	1,505,000	156,951	-	39,238
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-04-0040	1,349,187	-	-	-
Federal Transit Administration - Federal Transit Planning Formula Grant	20.507	NC-39-0003	700,000	190,587	-	47,647
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X497-00	82,243	12,359	-	3,090
Federal Transit Administration - Federal Transit Capital and Investment Grant	20.500	NC-04-0051	9,000,000	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.526	NC-34-0006-00	463,437	-	-	-
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.526		1,944,719	1,280,803	-	-
<i>Subtotal Direct Federal Transit Cluster</i>				<i>1,645,043</i>	<i>-</i>	<i>91,061</i>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration - Enhanced Mobility Seniors & Indiv. with Disabilities	20.513	NC-16-X008	216,000	68,068	-	68,069
Federal Transit Administration - Enhanced Mobility Seniors & Indiv. with Disabilities	20.513	11-ED-911	262,000	105,600	13,200	24,527
Federal Transit Administration - Enhanced Mobility Seniors & Indiv. with Disabilities	20.513	11-ED-002	537,683	-	-	-
Federal Transit Administration - Job Access and Reverse Commute Program	20.516	11-JA-002	750,000	-	-	-
<i>Subtotal Direct Transit Services Program Cluster</i>				<i>173,668</i>	<i>13,200</i>	<i>92,596</i>
<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		184,427	109,808	13,726	13,726
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7) PL 104(F)	160,735	55,049	-	13,762
<i>Subtotal Pass-Through Metro Transportation Planning Program / State and Non-Metro Planning and Research Program</i>				<i>164,857</i>	<i>13,726</i>	<i>27,488</i>
TRANSIT SERVICES PROGRAM CLUSTER:						
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	135,954	32,210	-	32,210
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	197,572	98,786		98,786

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Federal Transit Administration						
Job Access and Reverse Commute Program	20.516	JARC - 5316	70,390	34,482	-	34,482
<i>Subtotal Pass-Through Transit Services Program Cluster</i>				<i>165,478</i>	<i>-</i>	<i>165,478</i>
Total U.S. Department of Transportation				2,149,046	26,926	376,623
Federal Highway Administration						
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER						
NCDOT MPO Grant - Culbreth at Cobble	20.205	U-4726 P	200,000	-	-	-
NCDOT MPO Grant - Fordham at S Estes	20.205	U-4726 L	14,907	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205		560,000	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205		750,000	70,056	-	-
NCDOT STPDA Grant - Tanyard Branch Trail	20.205		125,000	11,746	-	-
NCDOT STPDA Grant - Variable Message System	20.205		93,750	-	-	-
NCDOT STPDA Grant - Estes Drive Bike Design	20.205		248,000	1,474	-	369
NCDOT STPDA Grant - Old Durham Road	20.205		2,911,966	-	-	-
NCDOT STPEB Grant - Old Durham Road	20.205		140,000	-	-	-
NCDOT TAP Grant - Old Durham Road	20.205		842,500	-	-	-
NCDOT CMAQ Grant - Estes Drive Bike Construct	20.205		2,338,000	-	-	-
<i>Subtotal Pass-Through Highway Planning and Construction Cluster</i>				<i>83,276</i>	<i>-</i>	<i>369</i>
Total Federal Highway Administration				83,276	-	369

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of Housing and Urban Development						
<i>Direct Programs:</i>						
Community Development Block Grant Entitlement Program income	14.218	MC-37-0016	7,120,841 -	459,245 -	- -	- 7,338
<i>Subtotal Direct CDBG Entitlement Grants</i>				459,245	-	7,338
PUBLIC & INDIAN HOUSING						
Public and Indian Housing Program - Operating Rental and other income	14.850	NC046-00000114D	1,183,160 -	1,183,160 -	- -	- 910,630
<i>Subtotal Direct Public & Indian Housing Grants</i>				1,183,160	-	910,630
PUBLIC HOUSING CAPITAL FUND						
Public and Indian Housing - Capital Fund	14.872	NC-19P04650112	448,270	11,817	-	-
	14.872	NC-19P04650113	444,974	98,683	-	-
	14.872	NC-19P04650114	449,057	-	-	-
<i>Subtotal Direct Public & Indian Housing Capital Grants</i>				110,500	-	-
<i>Passed-Through Orange County, North Carolina:</i>						
HOME INVESTMENT PARTNERSHIP PROGRAM						
Public and Indian Housing - Transitional Housing Program Income	14.239		285,117	- -	- -	- 10,743
<i>Subtotal Pass-Through HOME Program</i>				-	-	10,743
Total U.S. Department of Housing and Urban Development				1,752,905	-	928,711

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of Justice						
<i>Direct Programs:</i>						
Bulletproof Vest Partnership Program	16.607		33,850	2,669	-	2,670
<i>Subtotal direct programs</i>				2,669	-	2,670
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Governor's Crime Commission DNA Backlog Reduction Program	16.741		24,360	19,544	-	-
<i>Subtotal Passed-Through NC Dept of Crime Control & Public Safety</i>				19,544	-	-
Total U.S. Department of Justice				22,213	-	2,670
U.S. Department of Homeland Security						
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>						
Federal Mediation and Conciliation Services Labor Mediation and Conciliation	34.001		24,000	1,188	-	-
Total U.S. Department of Homeland Security				1,188	-	-
U.S. Institute of Museum and Library Services						
<i>Passed-Through State Library of North Carolina:</i>						
Grants to States	45.310		30,500	30,500	-	-
Total U.S. Institute of Museum and Library Services				30,500	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
U.S. Department of the Interior						
<i>Passed-Through NC Department of Environment & Natural Resources:</i>						
Water Conservation Field Services Program	15.530		75,000	75,000	-	-
Total U.S. Department of the Interior				75,000	-	-
U.S. Department of Treasury						
Build America Bonds Interest Subsidy	85.676		169,366	169,184	-	-
Total U.S. Department of Treasury				169,184	-	-
TOTAL FEDERAL ASSISTANCE				4,283,312	26,926	1,308,373
STATE ASSISTANCE						
North Carolina Department of Transportation:						
Powell Bill			1,497,671	-	1,497,671	-
Interest			13	-	-	13
State Maintenance Assistance for Urban and Small Urban Areas			2,319,779	-	2,319,779	-
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	-	-
NCDOT MPO Grant - Booker Creek Linear Park			437,134	-	(22,504)	-
<i>Passed-Through Triangle J Council of Government:</i>						
Transit Demand Grant			89,069	-	38,608	38,609
Total North Carolina Department of Transportation				-	3,833,554	38,622
North Carolina Department of Cultural Resources:						
State Library Aid			28,715	-	28,715	-
TOTAL STATE ASSISTANCE				-	3,862,269	38,622
TOTAL FINANCIAL ASSISTANCE				4,283,312	3,889,195	1,346,995

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Chapel Hill, North Carolina and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2015. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2015, 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.

This page intentionally left blank.