

**Town of Chapel Hill, North Carolina
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2016**

Prepared by:

Town of Chapel Hill
Business Management Department

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October 24, 2016

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, 2016 (FY 2015-16) 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, 2016.

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, 2016 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, 2016.

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 59,753 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.

Voters approved a \$40.3 million in GO bond referendum that was on the ballot in the November 2015 election. The bond orders were established as follows:

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

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

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

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 completed in 2015-16.

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

The 140 West project is a public/private development project that includes a three-part building complex combining condominiums, retail and underground parking. The complex was constructed on town-owned land and includes 137 condominiums with 21 affordable housing units, nearly 30,000 square feet of office/retail space, and 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 \$1.2 million of stormwater improvements.

The Town combined the financing of the \$10 million of Ephesus Fordham public improvements with other capital projects including a major renovation of Town Hall. The total financing amount will be issued in two parts, the first part in the amount of \$7,984,000 was issued in FY16.

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

- Maintaining an adequate fund balance has helped the Town to weather the prospect of revenue shortfalls without an interruption of Town services.
- The dedication of a portion of the tax rate to debt service in FY 2009, along with the opportunity to pay off existing debt during the delay in issuing the remainder of the authorized general obligation bonds, allowed the Debt Fund to meet debt service needs from fund balance. Although the issuance of the final 2003 bonds brought debt service costs temporarily above the established guideline of 12% of general fund expenditures, debt service is expected to fall below 12% by 2016-17.
- The principle of preserving fund balance for use on one-time expenses was maintained in the 2015-16 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, 2015.

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.

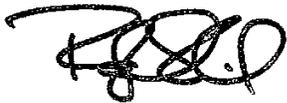
In addition, the Town also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for 2015-16. In order to qualify for the Distinguished Budget Presentation Award, the Town's budget document was judged to be proficient in all required categories, as a policy document, 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

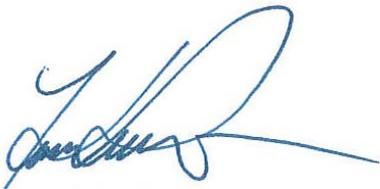
various employees from other departments. We would like to express our appreciation to all members of the Department, other employees, and to the independent certified public accountants, Martin Starnes and Associates, who assisted and contributed to its preparation.

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,

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

Roger L. Stancil
Town Manager

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

Kenneth C. Pennoyer
Business Management Director



Government Finance Officers Association

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

Presented to

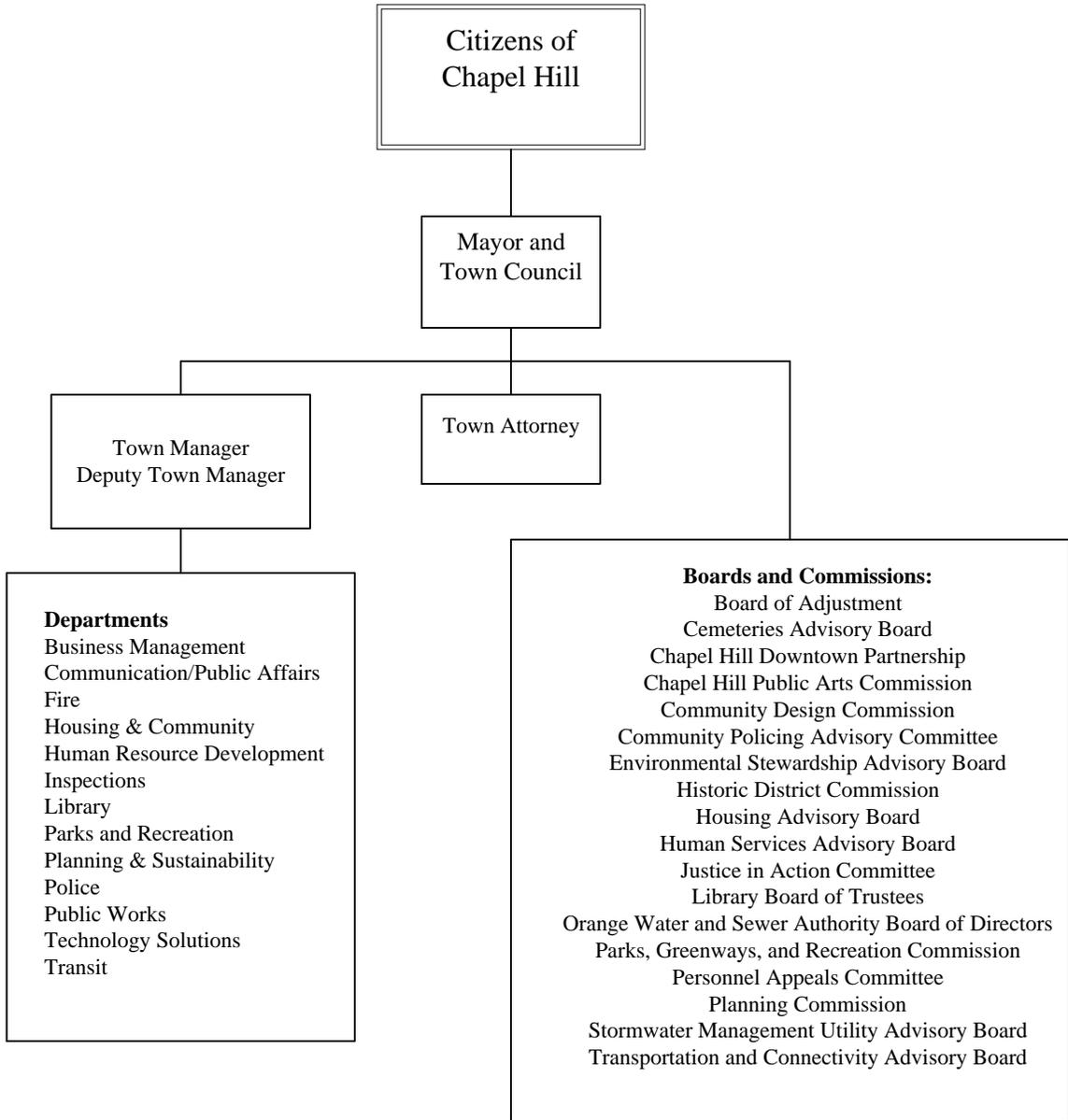
**Town of Chapel Hill
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

TOWN OF CHAPEL HILL ORGANIZATION CHART



**TOWN OF CHAPEL HILL, NORTH CAROLINA
THE TOWN GOVERNING BODY AND OFFICIALS
JUNE 30, 2016
MEMBERS OF THE GOVERNING BODY**

Mayor

Pam Hemminger

Mayor pro tem

Donna Bell

Council Members

Jessica Anderson

George Cianciolo

Ed Harrison

Nancy Oates

Maria Palmer

Michael Parker

Sally Greene

Administrative and Financial Staff

Roger L. Stancil

Town Manager

Florentine M. Miller

Deputy Town Manager

Kenneth C. Pennoyer

Director Business Management

Ralph D. Karpinos

Town Attorney

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2016, 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, 2016, 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 Schedules of Funding Progress, 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 Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapel Hill's basic financial statements. The introductory section, combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required

part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* the State Single Audit Implementation Act and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, other schedules, supplemental ad valorem tax schedules, 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 24, 2016 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 24, 2016

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Management's Discussion and Analysis

Our discussion is intended as an overview of the financial performance of the Town of Chapel Hill for the fiscal year ended June 30, 2016. The financial statements and notes included in this report present the financial position and operations of governmental and business activities of the town. During the fiscal year, the Town continued its sound current and long-range policies for financial management. These policies are intended to:

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

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

Financial Highlights

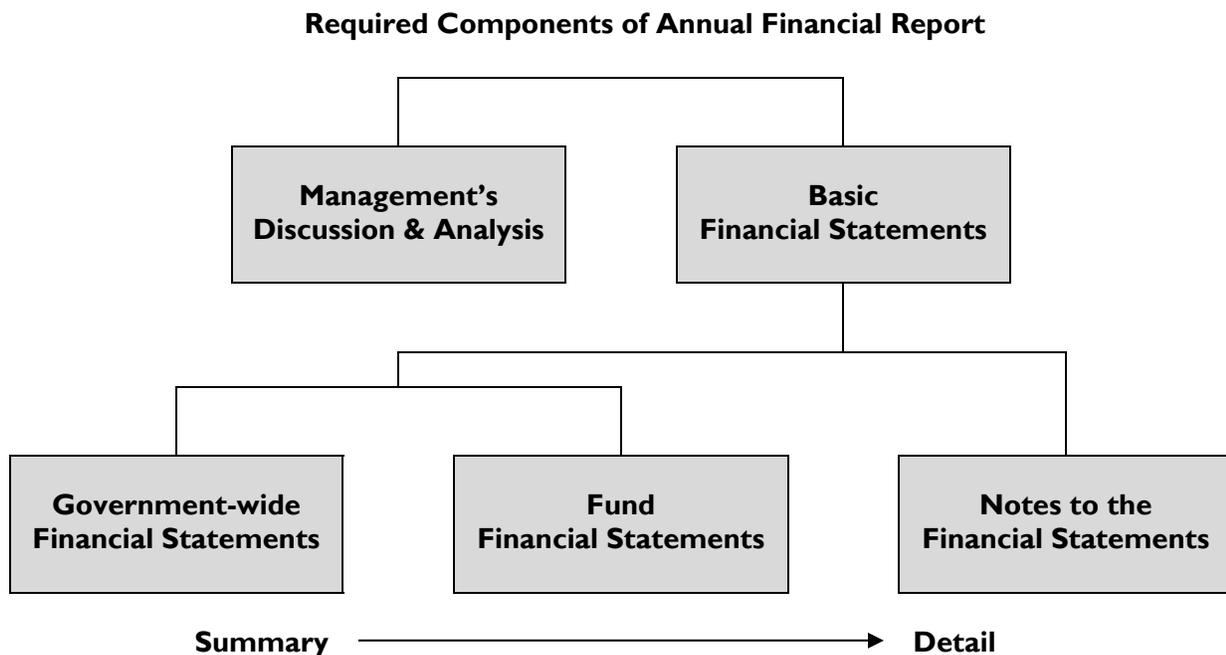
Highlights of the Town's fiscal year ended June 30, 2016, include:

- The assets and deferred outflows of resources of the Town of Chapel Hill exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$147.3 million (net position.)
- The government's total net position decreased by about \$4.0 million, the net of a \$4.2 million decrease in business-type activities net position and a \$223,000 increase in governmental activities net position.
- 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 maintain service levels, and have assets increase by \$4.5 million and liabilities decreased by \$387,000, for a net increase of net position of about \$4.9 million.
- At June 30, 2016, total net position of \$147.3 million represents capital assets and restricted net position which has been reserved for specific purposes, with a balance of \$6.1 million that is unrestricted. Restrictions for Stabilization by State Statute accounts for \$23.2 million of net position, largely representing bond and capital funds (\$6.8 million) and debt fund (\$3.6 million) and outstanding purchase orders for ongoing Town operating costs (\$4.6 million.)
- As of the close of the current fiscal year, Chapel Hill's governmental funds reported combined ending fund balances of approximately \$55.7 million, an increase of \$6.1 million in comparison with the prior year.

Management's Discussion and Analysis

- Unassigned fund balance of the General Fund (totaling approximately \$16.0 million) continues to meet working capital requirements and a policy of reserving at least 12% of total expenditures. Legal provisions and financial policies of the Town restrict fund balance in other funds for the purposes of those funds.
- The Town's total long-term liabilities increased by \$10.2 million to \$92.3 million as a result of a new installment note payable in the amount of \$7.984 million and the annual increase to other-post employment benefits.
- Property taxes supported 53% of the governmental services to citizens and the community in fiscal year 2016.
- The Town of Chapel Hill maintained its AAA bond rating from Moody's Investors Service and Standard and Poor's.

Overview of the Financial Statements



Basic Financial Statements

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

Management's Discussion and Analysis

described below. Note A in the financial report includes a further discussion of the reporting entity and descriptions of funds.

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

The fund financial statements (Exhibits 3 through 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, 2016 (as shown in Exhibit 1) with comparative data from June 30, 2015.

Town of Chapel Hill's Net Position						
Figure 2						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 64,875,161	\$ 61,025,978	\$ 20,057,451	\$ 21,014,291	\$ 84,932,612	\$ 82,040,269
Capital assets	116,491,949	116,861,516	43,422,690	46,845,360	159,914,639	163,706,876
Deferred outflows of resources	1,727,443	1,705,047	755,641	746,494	2,483,084	2,451,541
Total assets	183,094,553	179,592,541	64,235,782	68,606,145	247,330,335	248,198,686
Current liabilities	12,801,658	11,608,879	1,793,524	1,932,409	14,595,182	13,541,288
Non-current liabilities	73,689,955	66,388,416	10,167,459	8,067,481	83,857,414	74,455,897
Deferred inflows of resources	1,038,443	6,253,412	553,949	2,660,844	1,592,392	8,914,256
Total liabilities and deferred inflows of resources	87,530,056	84,250,707	12,514,932	12,660,734	100,044,988	96,911,441
Net position:						
Net investment in capital assets	67,839,566	74,223,378	43,422,690	46,845,360	111,262,256	121,068,738
Restricted for:						
Stabilization by State Statute	23,199,815	17,656,143	-	-	23,199,815	17,656,143
Capital projects	6,313,861	2,769,487	-	-	6,313,861	2,769,487
Public housing	129,839	127,623	-	-	129,839	127,623
Other functions	278,081	833,015	-	-	278,081	833,015
Unrestricted	(2,196,665)	(267,812)	8,298,160	9,100,051	6,101,495	8,832,239
Total net position	\$ 95,564,497	\$ 95,341,834	\$ 51,720,850	\$ 55,945,411	\$ 147,285,347	\$ 151,287,245

The assets and deferred outflow of resources of the Town of Chapel Hill exceeded liabilities and deferred inflows of resources by \$147.3 million as of June 30, 2016. The Town's net position decreased by a total of \$4.0 million for the fiscal year, the net of a \$4.2 million decrease in business-type activities and a \$223,000 increase in governmental activities.

The largest portion (76%) 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 \$29.9 million) represents resources that are subject to external restrictions on how they may be used, leaving a balance of \$6.1 million in unrestricted net position.

The Town of Chapel Hill implemented GASB Statement 68 last year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset (liability), deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the plan, not the Town's management.

Governmental activities. Governmental activities show an increase in net position of about \$223,000.

Business-type activities: Business-type activities show a decrease in net position of about \$4.2 million. The Transit fund had a \$3.9 million decrease in net position as a result of increased costs to operate the transit system and a reduction in the amount of federal grants received. Both the Stormwater Management Fund which increased \$84,000 in net position and the Parking Facilities Fund which increased \$17,000 in net position had operations that remained steady. The Housing Operating Fund had an anticipated decrease in net position of \$445,000 as a result of larger maintenance and repairs projects on the housing units.

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, 2016, with comparative data for June 30, 2015.

Town of Chapel Hill's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,509,097	\$ 6,045,369	\$ 7,132,484	\$ 7,049,718	\$ 13,641,581	\$ 13,095,087
Operating grants and contributions	3,970,825	4,213,414	14,218,338	15,510,296	18,189,163	19,723,710
Capital grants and contributions	960,952	822,184	59,118	5,429	1,020,070	827,613
General revenues:						
Taxes	49,340,902	48,227,231	3,842,964	3,798,723	53,183,866	52,025,954
Grants and contributions not restricted to specific programs	5,435,534	5,344,082	-	-	5,435,534	5,344,082
Investment earnings	56,872	39,476	19,812	18,067	76,684	57,543
Other	1,381,867	3,307,397	112,634	117,907	1,494,501	3,425,304
Total revenues	67,656,049	67,999,153	25,385,350	26,500,140	93,041,399	94,499,293
Expenses:						
General government	11,336,963	10,195,729	-	-	11,336,963	10,195,729
Environment and development	21,105,842	20,231,149	-	-	21,105,842	20,231,149
Public safety	21,565,795	21,007,366	-	-	21,565,795	21,007,366
Leisure activities	12,324,889	11,239,822	-	-	12,324,889	11,239,822
Interest expense	2,007,653	2,168,703	-	-	2,007,653	2,168,703
Transportation	-	-	22,264,181	21,803,767	22,264,181	21,803,767
Parking facilities	-	-	1,708,178	1,901,853	1,708,178	1,901,853
Stormwater management	-	-	2,113,562	1,649,076	2,113,562	1,649,076
Housing operations	-	-	2,616,234	2,514,173	2,616,234	2,514,173
Total expenses	68,341,142	64,842,769	28,702,155	27,868,869	97,043,297	92,711,638
Increase (decrease) in net position before transfers	(685,093)	3,156,384	(3,316,805)	(1,368,729)	(4,001,898)	1,787,655
Transfers	907,756	946,753	(907,756)	(946,753)	-	-
Increase (decrease) in net position	222,663	4,103,137	(4,224,561)	(2,315,482)	(4,001,898)	1,787,655
Net position, July 1	95,341,834	94,706,937	55,945,411	59,779,339	151,287,245	154,486,276
Restatement (See Note O)	-	(3,468,240)	-	(1,518,446)	-	(4,986,686)
Net assets, July 1, as restated	95,341,834	91,238,697	55,945,411	58,260,893	151,287,245	149,499,590
Net position, June 30	\$ 95,564,497	\$ 95,341,834	\$ 51,720,850	\$ 55,945,411	\$ 147,285,347	\$ 151,287,245

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, 2016, the governmental funds of Chapel Hill reported a combined fund balance of about \$55.7 million, an increase of \$6.1 million or 12.4% from last year. This change is largely the result of a new installment financing of about \$8.0 million in the later part of the fiscal year where all project expenditures hadn't started and savings in general fund expenditures.

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 \$16.0 million, with total fund balance of \$32.7 million. The fund balance available for appropriation according to the statutory calculation is 39.2% of expenditures for FY16, and the Town Council target requires that we maintain at least a fund balance of 22% of expenditures in case of unforeseen needs. Unassigned fund balance represents 28.5%, and total fund balance, which includes reserves and designated amounts, represents 58.3% of total 2015-16 General Fund expenditures and other uses, respectively. The total fund balance increased by about \$4.9 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 \$1.2 as total outstanding debt is decreasing.

The Capital Projects Ordinance Fund reflects a \$1.4 million increase in fund balance, representing the net result of a portion of the new installment financing of \$4.8 million being allocated to this fund.

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

Conservative budgeting principles resulted in actual revenues coming in very close to budget estimates, with a difference of only \$200,000 less than budgeted. Intergovernmental revenues were \$1.3 million over budget resulting from a large increase in utility franchise tax receipts. This was offset by a decrease in fire inspection fees of \$387,000 and planning review fees of \$650,000 on development projects that were delayed.

Expenditures were about \$10.7 million less than budgeted. All areas benefitted from favorable fuel prices and another fairly mild winter during 2015-16, 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 \$2.258 million budgeted to fund Other Post-Employment Benefits that have not yet been placed in trust, and about \$4.6 million represents purchase orders and commitments at year end that, with the approval of Council, are carried

Management's Discussion and Analysis

forward to the subsequent fiscal year. The Town also plans for actual revenues to exceed expenditures by \$1-2 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 \$6.9 million for the Transit Fund, \$2.2 million for the Housing Operating Fund and \$2.2 million for the Stormwater Management Fund. With the completion of the parking deck at 140 West, the Parking Facilities Fund shows an anticipated increase in overall net position of \$17,000, 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, 2016, capital assets totaled \$159.9 million compared with \$163.7 million 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 Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 27,328,900	\$ 27,328,900	\$ 6,962,311	\$ 6,962,311	\$ 34,291,211	\$ 34,291,211
Easements	208,123	136,836	-	-	208,123	136,836
Land improvements	15,639,380	14,857,810	2,877,528	3,112,794	18,516,908	17,970,604
Infrastructure	9,626,606	11,064,219	-	-	9,626,606	11,064,219
Buildings and building improvements	46,503,459	48,819,699	18,289,361	19,336,295	64,792,820	68,155,994
Equipment	3,058,485	1,995,602	295,192	467,311	3,353,677	2,462,913
Vehicles	4,614,214	4,997,988	14,524,429	16,680,438	19,138,643	21,678,426
Construction in progress	9,512,782	7,660,462	473,869	286,211	9,986,651	7,946,673
Total	\$ 116,491,949	\$ 116,861,516	\$ 43,422,690	\$ 46,845,360	\$ 159,914,639	\$ 163,706,876

Management's Discussion and Analysis

Long-term Debt. As shown in Figure 5, as of June 30, 2016 the Town of Chapel Hill had total outstanding bonded debt, backed by the full faith and credit of the Town, of \$23,472,000. The Town also had \$20,210,000 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 \$92 million includes the addition of other postemployment benefits totaling \$29.5 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 23,472,000	\$ 25,662,000	\$ -	\$ -	\$ 23,472,000	\$ 25,662,000
Limited obligation bonds	20,210,000	22,350,000	-	-	20,210,000	22,350,000
Installment notes payable	12,592,753	5,456,766	-	-	12,592,753	5,456,766
Orange County loan payable	123,146	123,146	-	-	123,146	123,146
Separation allowance	415,060	307,861	-	-	415,060	307,861
Net pension liability for LGERS	1,975,867	-	734,535	-	2,710,402	-
Compensated absences	2,724,530	2,536,296	603,015	618,295	3,327,545	3,154,591
Other postemployment benefits	20,038,013	17,058,682	9,428,935	8,039,562	29,466,948	25,098,244
Total	\$ 81,551,369	\$ 73,494,751	\$ 10,766,485	\$ 8,657,857	\$ 92,317,854	\$ 82,152,608

The Town's total debt from governmental activities increased by \$8.1 million or 11%, to \$81.6 million during the past fiscal year. The increase represents the addition of an installment notes payable of \$7.984 million to fund various capital fund projects, the annual increase in other post-employment benefits and the net pension liability for LGERS. These amounts were offset by the payments made during the year toward general obligation bonds and limited obligation bonds and other debt.

Business-type debt increased by about \$2.1 million to \$10.8 million, a net of the addition to post-employment benefits and net pension liability for LGERS and the payments made during the year.

As mentioned in the financial highlights section of this document, at June 30, 2016 the Town of Chapel Hill maintained its Aaa bond rating from Moody's Investor Service and Standard and Poor's Corporation. The Town of Chapel Hill is among a small number of municipalities its size in the country that maintains such a high financial rating. This achievement assists the Town to keep low interest cost on outstanding debt.

In November 2015, the Town held a general obligation bond referendum in the amount of \$40,300,000 that was approved by its citizens. At June 30, 2016, the entire amount was authorized but unissued.

Management's Discussion and Analysis

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 \$544 million, well above the town's outstanding debt for general obligation bonds of approximately \$23.5 million plus the \$40.3 million authorized but unissued, which combined is about 10.5% of the Town's legal debt limit.

Additional information regarding the Town of Chapel Hill's long-term debt can be found beginning on page 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 5.2% at June 30, 2016, below the state average of 5.7%.
- Stable property tax base with a continuing property tax collection rate in excess of 99%.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities:

General Fund revenues budgeted for FY17 total \$63.0 million, including the use of \$2.7 million in fund balance, reflecting a 2.2% increase from the budget for 2015-16. 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 2016-17 broken down as follows in cents per \$100 valuation: General Fund 38.8 cents, Debt Service Fund 8.5 cents and Transit Fund 5.1 cents.

Sales taxes are budgeted at \$12.8 million, a 6.1% increase from 2015-16's budget as we anticipate a continuation of economic growth. State shared revenues are budgeted at \$8.1 million, a 21.5% increase from 2015-16's budget the majority of which reflects an increase in the utility franchise tax revenue. Other General Fund revenues remain relatively flat.

General Fund expenditures of \$63.0 million represent a 2.2% increase from the budget for 2015-16. The goals of the budget for 2016-17 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 but includes an 15.5% increase 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 2016 and a 1.5% raise in January 2017 in employee pay.

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

Debt service costs in 2016-17 are budgeted at \$7.5 million, with a \$474,000 contribution to reserve, while sequestration slightly reduced the interest rate subsidy for Build America Bonds the Town

Management's Discussion and Analysis

continues to receive an interest subsidy of \$169,000 to recoup some of the expense. The Debt Service tax rate of 8.5 cents per \$100 in valuation is expected to generate about \$6.4 million.

Other governmental activities budgeted for 2016-17 reflect a continuation of existing service levels in keeping with the budget goals for FY17.

Business-type Activities:

The Transit Fund's 2016-17 budget of \$20.4 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 fee revenue levied by Orange County. Overall the Transit budget decreased 1.9% over the 2015-16 budget.

The Parking Facilities Fund budget decreased 0.3% overall from 2015-16 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 a decrease in HUD contributions of 2% and an increase in rental income of 9.2%. Planned usage of fund balance in the amount of \$403,000 was budgeted for capital repairs at several of the housing units.

Stormwater Management's budget for 2017 maintains their fee of \$26.15 for each 1,000 square feet of impervious surface, therefore their revenues remain steady from the 2015-16 budget. Expenditures include funding for a large capital project, a culvert replacement on Elliot Road totaling \$750,000, requiring the use of \$156,000 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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 45,522,999	\$ 20,543,198	\$ 66,066,197	\$ 26,578,064
Taxes receivable, net	147,540	14,302	161,842	-
Accounts receivable, net	662,428	543,230	1,205,658	4,858,156
Due from other governments	6,508,237	1,155,762	7,663,999	-
Internal balances	3,461,037	(3,461,037)	-	-
Inventories	54,608	1,148,063	1,202,671	892,145
Prepaid items	7,551	299	7,850	298,684
Restricted cash and cash equivalents	892,937	113,634	1,006,571	8,226,700
Total current assets	<u>57,257,337</u>	<u>20,057,451</u>	<u>77,314,788</u>	<u>40,853,749</u>
Non-current assets:				
Restricted cash and cash equivalents	7,617,824	-	7,617,824	260,978
Capital assets (Note F):				
Land and construction in progress	37,049,805	7,436,180	44,485,985	50,206,880
Other capital assets, net of accumulated depreciation	79,442,144	35,986,510	115,428,654	250,756,206
Total capital assets	<u>116,491,949</u>	<u>43,422,690</u>	<u>159,914,639</u>	<u>300,963,086</u>
Total non-current assets	<u>124,109,773</u>	<u>43,422,690</u>	<u>167,532,463</u>	<u>301,224,064</u>
Total assets	<u>181,367,110</u>	<u>63,480,141</u>	<u>244,847,251</u>	<u>342,077,813</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan in current year	1,727,443	755,641	2,483,084	510,262
Pension deferrals	-	-	-	55,837
Deferred charge on refunding	-	-	-	1,902,066
Total deferred outflows of resources	<u>1,727,443</u>	<u>755,641</u>	<u>2,483,084</u>	<u>2,468,165</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	3,096,927	1,041,005	4,137,932	2,131,019
Other liabilities	-	39,859	39,859	-
Liabilities payable from restricted assets	1,843,317	113,634	1,956,951	2,302,608
Current portion of long-term liabilities	7,861,414	599,026	8,460,440	7,094,841
Total current liabilities	<u>12,801,658</u>	<u>1,793,524</u>	<u>14,595,182</u>	<u>11,528,468</u>
Non-current liabilities:				
Net pension liability	1,975,867	734,535	2,710,402	538,330
Due in more than one year	71,714,088	9,432,924	81,147,012	77,641,178
Total non-current liabilities	<u>73,689,955</u>	<u>10,167,459</u>	<u>83,857,414</u>	<u>78,179,508</u>
Total liabilities	<u>86,491,613</u>	<u>11,960,983</u>	<u>98,452,596</u>	<u>89,707,976</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	119,128	-	119,128	-
Pension deferrals	919,315	553,949	1,473,264	279,798
Total deferred inflows of resources	<u>1,038,443</u>	<u>553,949</u>	<u>1,592,392</u>	<u>279,798</u>
NET POSITION				
Net investment in capital assets	67,839,566	43,422,690	111,262,256	224,969,584
Restricted for:				
Stabilization by State Statute	23,204,386	-	23,204,386	-
Capital projects	6,313,861	-	6,313,861	-
Public housing	129,839	-	129,839	-
Other functions	278,081	-	278,081	-
Water and sewer	-	-	-	260,978
Unrestricted	<u>(2,201,236)</u>	<u>8,298,160</u>	<u>6,096,924</u>	<u>29,327,642</u>
Total net position	<u>\$ 95,564,497</u>	<u>\$ 51,720,850</u>	<u>\$ 147,285,347</u>	<u>\$ 254,558,204</u>

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 11,336,963	\$ 1,703,045	\$ -	\$ -	\$ (9,633,918)	\$ -	\$ (9,633,918)	\$ -
Environment and development	21,105,842	3,249,840	2,029,052	790,803	(15,036,147)	-	(15,036,147)	-
Public safety	21,565,795	477,315	1,159,227	-	(19,929,253)	-	(19,929,253)	-
Leisure activities	12,324,889	1,078,897	782,546	170,149	(10,293,297)	-	(10,293,297)	-
Interest expense	2,007,653	-	-	-	(2,007,653)	-	(2,007,653)	-
Total governmental activities	68,341,142	6,509,097	3,970,825	960,952	(56,900,268)	-	(56,900,268)	-
Business-type activities:								
Transportation	22,264,181	1,413,865	13,048,352	-	-	(7,801,964)	(7,801,964)	-
Parking Facilities	1,708,178	2,597,035	-	-	-	888,857	888,857	-
Housing Operations	2,616,234	940,223	1,169,986	59,118	-	(446,907)	(446,907)	-
Stormwater Management	2,113,562	2,181,361	-	-	-	67,799	67,799	-
Total business-type activities	28,702,155	7,132,484	14,218,338	59,118	-	(7,292,215)	(7,292,215)	-
Total primary government	\$ 97,043,297	\$ 13,641,581	\$ 18,189,163	\$ 1,020,070	(56,900,268)	(7,292,215)	(64,192,483)	-
Component unit - Orange Water and Sewer Authority	\$ 30,740,470	\$ 36,369,370	\$ -	\$ 1,846,475	-	-	-	7,475,375
General revenues:								
Property taxes					36,022,725	3,842,964	39,865,689	-
Sales tax					12,040,383	-	12,040,383	-
Occupancy tax					1,202,806	-	1,202,806	-
Other taxes					74,988	-	74,988	-
Grants and contributions not restricted to specific programs:								
Intergovernmental					5,435,534	-	5,435,534	-
Investment earnings					56,872	19,812	76,684	20,663
Miscellaneous					1,381,867	112,634	1,494,501	1,518,433
Total general revenues not including transfers					56,215,175	3,975,410	60,190,585	1,539,096
Transfers					907,756	(907,756)	-	-
Total general revenues, proceeds and transfers					57,122,931	3,067,654	60,190,585	1,539,096
Change in net position					222,663	(4,224,561)	(4,001,898)	9,014,471
Net position - beginning					95,341,834	55,945,411	151,287,245	245,543,733
Net position - ending					\$ 95,564,497	\$ 51,720,850	\$ 147,285,347	\$ 254,558,204

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, 2016

	Major Funds				
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 29,280,563	\$ 3,030,029	\$ 6,467,155	\$ 3,600,868	\$ 42,378,615
Receivables:					
Due from other funds	65,668	3,585,481	-	-	3,651,149
Property taxes, net	119,128	23,841	-	4,571	147,540
Governmental units and agencies	5,586,003	-	275,201	647,033	6,508,237
Other	522,072	-	-	123,052	645,124
Inventories	840	-	-	16,538	17,378
Prepaid items	7,551	-	-	-	7,551
Restricted cash and equivalents	378,163	-	6,852,579	387,082	7,617,824
TOTAL ASSETS	\$ 35,959,988	\$ 6,639,351	\$ 13,594,935	\$ 4,779,144	\$ 60,973,418
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 190,112	\$ 190,112
Accounts payable	1,558,537	-	-	381,435	1,939,972
Accrued liabilities	984,876	-	-	6,217	991,093
Accounts payable from restricted assets	180,369	-	975,139	79,974	1,235,482
Other payables from restricted assets	197,794	-	232,977	177,064	607,835
Total liabilities	2,921,576	-	1,208,116	834,802	4,964,494
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	1,925	23,841	-	4,571	30,337
Fees and charges receivable	173,579	-	-	-	173,579
Prepaid taxes	119,128	-	-	-	119,128
Total deferred inflows of resources	294,632	23,841	-	4,571	323,044

Continued

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
FUND BALANCES					
Nonspendable					
Inventories	\$ 840	\$ -	\$ -	\$ 16,538	\$ 17,378
Prepaid items	7,551	-	-	-	7,551
Restricted					
Stabilization by State Statute	10,706,650	3,585,480	6,837,482	2,074,774	23,204,386
Parks capital projects	117,123	-	2,148,256	-	2,265,379
Streets capital projects	323,008	-	5,632,239	10,262	5,965,509
Municipal buildings projects	-	-	4,506,614	-	4,506,614
Public housing	-	-	-	129,839	129,839
Public safety	213,023	-	27,510	37,548	278,081
Transit capital purchases	-	-	-	20,538	20,538
Infrastructure capital projects	-	-	-	215,226	215,226
Library	-	-	35,641	157,533	193,174
Committed					
Debt service payments	-	6,615,510	-	-	6,615,510
Municipal buildings projects	-	-	-	549,273	549,273
Technology capital projects	-	-	25,202	-	25,202
Fire capital projects	-	-	-	502,675	502,675
Public housing	-	-	-	480,562	480,562
Economic development	-	-	11,357	65,479	76,836
Assigned					
Subsequent year's expenditures	2,706,550	-	-	56,414	2,762,964
Other post employment benefits	2,258,000	-	-	-	2,258,000
Parks capital projects	-	-	-	110,193	110,193
Workforce Development	253,860	-	-	-	253,860
Municipal buildings projects	-	-	-	721,282	721,282
Economic development	166,980	-	-	-	166,980
Technology capital projects	-	-	-	43,800	43,800
Unassigned	15,990,195	(3,585,480)	(6,837,482)	(1,252,165)	4,315,068
Total fund balances	<u>32,743,780</u>	<u>6,615,510</u>	<u>12,386,819</u>	<u>3,939,771</u>	<u>55,685,880</u>
TOTAL LIABILITIES, DEFERRED					
INFLOWS AND FUND BALANCES	<u>\$ 35,959,988</u>	<u>\$ 6,639,351</u>	<u>\$ 13,594,935</u>	<u>\$ 4,779,144</u>	<u>\$ 60,973,418</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, 2016

Fund balances - total governmental funds		\$ 55,685,880
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	189,455,114	
Less accumulated depreciation	<u>76,756,070</u>	112,699,044
Long-term liabilities, including accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds		
Governmental bonds payable, limited obligation bonds, and installment purchases	(54,061,000)	
Other postemployment benefits	(19,676,257)	
Orange County loan payable	(123,146)	
Net pension obligation for separation allowance	(415,060)	
Accrued vacation payable	<u>(2,691,206)</u>	(76,966,669)
Net pension liability		(1,955,978)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		1,697,631
Pension related deferrals		(886,825)
Liabilities for earned revenues considered deferred inflows of resources in the governmental funds.		203,916
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>5,087,498</u>
Net position of governmental activities		<u>\$ 95,564,497</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, 2016

	Major Funds				Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance	Other Governmental Funds	
REVENUES					
Taxes	\$ 42,647,872	\$ 6,405,091	\$ -	\$ 287,939	\$ 49,340,902
Licenses and permits	2,710,159	-	-	-	2,710,159
Fines and forfeitures	55,304	-	-	-	55,304
Intergovernmental revenues					
Federal government	8,222	169,640	280,566	1,046,949	1,505,377
State government	8,066,013	-	82,119	14,247	8,162,379
Other	671,834	-	509	27,212	699,555
Charges for services	3,632,627	-	-	-	3,632,627
Interest on investments	30,070	16,441	5,862	4,499	56,872
Franchise rental fees	-	-	-	70,081	70,081
Program income	-	-	-	40,926	40,926
Donations	83,493	-	-	336,150	419,643
Revenue in lieu	117,261	-	1,956	-	119,217
Mutual aid reimbursements	529,106	-	-	-	529,106
Insurance recovery	16,574	-	-	-	16,574
Other	294,728	-	-	2,599	297,327
Total revenues	58,863,263	6,591,172	371,012	1,830,602	67,656,049
EXPENDITURES					
General government	10,729,883	-	-	-	10,729,883
Environment and development	14,689,024	-	-	1,073,287	15,762,311
Public safety	20,281,922	-	-	52,066	20,333,988
Leisure activities	9,070,159	-	-	485,863	9,556,022
Capital projects	-	-	4,668,406	3,017,347	7,685,753
Debt service:					
Principal	-	4,330,000	-	-	4,330,000
Interest and fiscal charges	-	2,007,653	-	-	2,007,653
Total expenditures	54,770,988	6,337,653	4,668,406	4,628,563	70,405,610
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,092,275	253,519	(4,297,394)	(2,797,961)	(2,749,561)

Continued

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Projects Ordinance		
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	4,841,497	3,142,503	7,984,000
Transfer from other funds	2,245,000	909,581	808,206	915,718	4,878,505
Transfer to other funds	(1,417,543)	-	-	(2,553,206)	(3,970,749)
Total other financing sources (uses)	<u>827,457</u>	<u>909,581</u>	<u>5,649,703</u>	<u>1,505,015</u>	<u>8,891,756</u>
NET CHANGE IN TOTAL FUND BALANCES	4,919,732	1,163,100	1,352,309	(1,292,946)	6,142,195
FUND BALANCES, BEGINNING	<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>
FUND BALANCES, ENDING	<u>\$ 32,743,780</u>	<u>\$ 6,615,510</u>	<u>\$ 12,386,819</u>	<u>\$ 3,939,771</u>	<u>\$ 55,685,880</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA

Exhibit 6

GOVERNMENTAL FUNDS

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

Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 6,142,195

Amounts reported for governmental activities in the statement of activities are different because of the following:

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

Expenditures for capital assets	6,620,963	
Current year's depreciation	<u>6,700,045</u>	(79,082)

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		4,330,000
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The issuance of long-term debt provides current financial resources to governmental funds and does not have any effect on net position.

(7,984,000)

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		(177,696)
Change in long-term separation allowance		(107,199)
Other postemployment benefits		(2,929,901)
Pension expense		703,000

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

22,081

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

51,896

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

251,369

Change in net position of governmental activities		<u>\$ 222,663</u>
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The notes to the financial statements are an integral part of this statement.

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 29,970,000	\$ 29,970,000	\$ 29,329,695	\$ (640,305)
Local option sales taxes	12,059,494	12,059,494	12,040,383	(19,111)
Other taxes	1,114,000	1,114,000	1,277,794	163,794
Licenses and permits	3,230,601	3,266,673	2,710,159	(556,514)
Fines and forfeitures	43,000	43,000	55,304	12,304
Intergovernmental revenues	7,450,704	7,469,139	8,746,069	1,276,930
Charges for services	4,217,126	4,229,126	3,632,627	(596,499)
Interest on investments	22,500	22,500	30,070	7,570
Other	843,211	843,211	1,041,162	197,951
TOTAL REVENUES	58,950,636	59,017,143	58,863,263	(153,880)
EXPENDITURES				
General government	12,393,842	15,899,615	10,729,883	5,169,732
Environment and development	16,584,791	17,403,242	14,689,024	2,714,218
Public safety	22,163,345	22,370,496	20,281,922	2,088,574
Leisure activities	9,454,638	9,766,609	9,070,159	696,450
Total expenditures	60,596,616	65,439,962	54,770,988	10,668,974
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,645,980)	(6,422,819)	4,092,275	10,515,094
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	45,000	2,245,000	2,245,000	-
Transfer to other funds	(1,104,384)	(3,238,457)	(1,417,543)	1,820,914
Appropriated fund balance	2,705,364	7,416,276	-	(7,416,276)
Total other financing sources (uses)	1,645,980	6,422,819	827,457	(5,595,362)
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	4,919,732	\$ 4,919,732
FUND BALANCE, BEGINNING			27,824,048	
FUND BALANCE, ENDING			\$ 32,743,780	

TOWN OF CHAPEL HILL, NORTH CAROLINA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 13,522,708	\$ 1,331,677	\$ 2,977,166	\$ 2,711,647
Restricted cash and cash equivalents	-	-	83,459	30,175
Receivables:				
Accounts receivable, net	194,731	39,173	10,583	298,743
Due from other funds	129,485	-	-	-
Governmental units and agencies	1,149,411	-	-	6,351
Property taxes, net	14,302	-	-	-
Prepaid items	299	-	-	-
Inventories	1,065,566	-	82,497	-
Total current assets	<u>16,076,502</u>	<u>1,370,850</u>	<u>3,153,705</u>	<u>3,046,916</u>
NONCURRENT ASSETS				
Net pension asset	-	-	-	-
Capital assets:				
Land and other non-depreciable assets	2,168,785	3,231,115	1,973,923	62,357
Other capital assets, net of accumulated depreciation	26,571,500	213,450	8,309,271	892,289
Total capital assets, net	<u>28,740,285</u>	<u>3,444,565</u>	<u>10,283,194</u>	<u>954,646</u>
Total noncurrent assets	<u>28,740,285</u>	<u>3,444,565</u>	<u>10,283,194</u>	<u>954,646</u>
TOTAL ASSETS	<u>44,816,787</u>	<u>4,815,415</u>	<u>13,436,899</u>	<u>4,001,562</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	633,764	35,127	48,926	37,824
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	379,707	108,665	109,713	135,749
Accrued liabilities	250,208	11,558	22,759	22,646
Deposits payable from restricted assets	-	-	83,459	30,175
Due to other funds	-	3,585,481	5,041	-
Compensated absences	458,225	39,878	50,316	50,607
Unearned revenue	39,859	-	-	-
Installment purchase agreements	-	-	-	-
Total current liabilities	<u>1,127,999</u>	<u>3,745,582</u>	<u>271,288</u>	<u>239,177</u>
NONCURRENT LIABILITIES				
Compensated absences	-	3,989	-	-
Other postemployment benefits	7,573,233	545,373	693,012	617,317
Net pension liability	658,782	12,193	55,273	8,287
Installment purchase agreements	-	-	-	-
Total noncurrent liabilities	<u>8,232,015</u>	<u>561,555</u>	<u>748,285</u>	<u>625,604</u>
Total liabilities	<u>9,360,014</u>	<u>4,307,137</u>	<u>1,019,573</u>	<u>864,781</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	414,627	51,433	26,844	61,045
NET POSITION				
Net investment in capital assets	28,740,285	3,444,565	10,283,194	954,646
Unrestricted	6,935,625	(2,952,593)	2,156,214	2,158,914
Total net position	<u>\$ 35,675,910</u>	<u>\$ 491,972</u>	<u>\$ 12,439,408</u>	<u>\$ 3,113,560</u>

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

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Enterprise Funds		Internal Service Funds	
	Comparative Totals		Comparative Totals	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 20,543,198	\$ 18,367,483	\$ 3,144,384	\$ 2,209,050
Restricted cash and cash equivalents	113,634	115,987	892,937	2,508,907
Receivables:			-	-
Accounts receivable, net	543,230	1,405,234	17,304	20,765
Due from other funds	129,485	202,199	-	-
Governmental units and agencies	1,155,762	2,366,431	-	-
Property taxes, net	14,302	15,495	-	-
Prepaid items	299	5,188	-	-
Inventories	1,148,063	1,040,643	37,230	63,913
Total current assets	<u>23,647,973</u>	<u>23,518,660</u>	<u>4,091,855</u>	<u>4,802,635</u>
NONCURRENT ASSETS				
Net pension asset	-	1,081,112	-	42,720
Capital assets:				
Land and other non-depreciable assets	7,436,180	7,248,522	-	-
Other capital assets, net of accumulated depreciation	35,986,510	39,596,838	3,792,905	4,083,390
Total capital assets, net	<u>43,422,690</u>	<u>46,845,360</u>	<u>3,792,905</u>	<u>4,083,390</u>
Total noncurrent assets	<u>43,422,690</u>	<u>47,926,472</u>	<u>3,792,905</u>	<u>4,126,110</u>
TOTAL ASSETS	<u>67,070,663</u>	<u>71,445,132</u>	<u>7,884,760</u>	<u>8,928,745</u>
DEFERRED OUTFLOWS OF RESOURCES				
Contributions to pension plan	755,641	746,494	29,812	29,497
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	733,834	841,006	156,742	611,723
Accrued liabilities	307,171	317,994	9,120	8,370
Deposits payable from restricted assets	113,634	115,987	-	-
Due to other funds	3,590,522	3,585,481	-	-
Compensated absences	599,026	590,376	16,813	22,786
Unearned revenue	39,859	67,046	-	-
Installment purchase agreements	-	-	867,474	848,006
Total current liabilities	<u>5,384,046</u>	<u>5,517,890</u>	<u>1,050,149</u>	<u>1,490,885</u>
NONCURRENT LIABILITIES				
Compensated absences	3,989	27,919	16,511	-
Other postemployment benefits	9,428,935	8,039,562	361,756	312,326
Net pension liability	734,535	-	19,889	-
Installment purchase agreements	-	-	1,346,279	2,213,760
Total noncurrent liabilities	<u>10,167,459</u>	<u>8,067,481</u>	<u>1,744,435</u>	<u>2,526,086</u>
Total liabilities	<u>15,551,505</u>	<u>13,585,371</u>	<u>2,794,584</u>	<u>4,016,971</u>
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	553,949	2,660,844	32,490	105,142
NET POSITION				
Net investment in capital assets	43,422,690	46,845,360	2,472,089	3,530,531
Unrestricted	8,298,160	9,100,051	2,615,409	1,305,598
Total net position	<u>\$ 51,720,850</u>	<u>\$ 55,945,411</u>	<u>\$ 5,087,498</u>	<u>\$ 4,836,129</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, 2016 (With Comparative Totals as of June 30, 2015)**

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
OPERATING REVENUES				
Charges for services	\$ 969,270	\$ 2,597,035	\$ 940,223	\$ 2,181,361
OPERATING EXPENSES				
Personnel	12,188,906	898,369	1,077,535	1,052,992
Drainage maintenance	-	-	-	179,761
Depreciation and amortization	3,647,657	71,431	622,357	67,492
Fuel and tires	1,495,534	-	-	-
Indirect costs	1,069,350	85,860	-	97,581
Maintenance and repairs	-	29,391	542,980	-
Building maintenance	645,985	-	-	-
Vehicle maintenance	1,673,024	-	-	-
Utilities	-	-	171,405	-
Insurance	308,204	-	-	-
Advertising and marketing	91,971	-	-	-
Professional services	-	-	-	463,822
Contracted services	517,008	66,097	-	103,006
Tarheel Express	216,681	-	-	-
Uniforms and supplies	100,853	-	-	-
Credit card fees	-	97,470	-	-
Rent	-	249,143	-	56,969
Other	309,008	210,417	201,957	91,939
Total operating expenses	22,264,181	1,708,178	2,616,234	2,113,562
OPERATING INCOME (LOSS)	(21,294,911)	888,857	(1,676,011)	67,799
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	307,016	-	1,169,986	-
State Operating Assistance Grant	2,996,737	-	-	-
Local Operating Assistance Grant	-	-	-	7,500
Operating assistance-UNC Chapel Hill	7,919,040	-	-	-
Operating assistance-Town of Carrboro	1,540,288	-	-	-
Operating assistance - TTA Vehicle Fees	277,771	-	-	-
Vehicle licenses	444,595	-	-	-
Ad valorem taxes	3,842,964	-	-	-
Interest on investments	14,247	1,283	1,464	2,818
Insurance recovery	36,018	1,925	-	-
Interest expense	-	-	-	-
Gain on sale of capital assets	40,891	-	-	-
Revenue in lieu	33,800	-	-	-
Total nonoperating revenues (expenses), net	17,453,367	3,208	1,171,450	10,318
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(3,841,544)	892,065	(504,561)	78,117
CAPITAL CONTRIBUTIONS	-	-	59,118	-
TRANSFERS				
Transfers in	-	35,000	-	6,000
Transfers out	(39,175)	(909,581)	-	-
Total transfers	(39,175)	(874,581)	-	6,000
CHANGE IN NET POSITION	(3,880,719)	17,484	(445,443)	84,117
NET POSITION, PREVIOUSLY REPORTED	39,556,629	474,488	12,884,851	3,029,443
RESTATEMENT	-	-	-	-
NET POSITION, RESTATED	39,556,629	474,488	12,884,851	3,029,443
NET POSITION, ENDING	\$ 35,675,910	\$ 491,972	\$ 12,439,408	\$ 3,113,560

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, 2016 (With Comparative Totals as of June 30, 2015)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services	\$ 6,687,889	\$ 6,593,970	\$ 2,964,133	\$ 2,927,172
OPERATING EXPENSES				
Personnel	15,217,802	14,293,575	582,004	524,869
Drainage maintenance	179,761	181,968	-	-
Depreciation and amortization	4,408,937	4,647,331	1,163,253	1,205,268
Fuel and tires	1,495,534	2,018,039	-	-
Indirect costs	1,252,791	1,188,187	-	-
Maintenance and repairs	572,371	453,744	-	-
Building maintenance	645,985	503,572	-	-
Vehicle maintenance	1,673,024	1,800,110	-	-
Utilities	171,405	175,238	-	-
Insurance	308,204	343,308	-	-
Advertising and marketing	91,971	86,598	-	-
Professional services	463,822	68,984	-	-
Contracted services	686,111	638,040	-	-
Tarheel Express	216,681	219,803	-	-
Uniforms and supplies	100,853	102,025	-	-
Credit card fees	97,470	103,071	-	-
Rent	306,112	332,879	-	-
Other	813,321	712,397	977,081	930,594
Total operating expenses	28,702,155	27,868,869	2,722,338	2,660,731
OPERATING INCOME (LOSS)	(22,014,266)	(21,274,899)	241,795	266,441
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,477,002	2,993,696	-	-
State Operating Assistance Grant	2,996,737	2,407,979	-	-
Local Operating Assistance Grant	7,500	19,200	-	-
Operating assistance-UNC Chapel Hill	7,919,040	7,765,808	-	-
Operating assistance-Town of Carrboro	1,540,288	1,472,508	-	-
Operating assistance - TTA Vehicle Fees	277,771	851,105	-	-
Vehicle licenses	444,595	455,748	-	-
Ad valorem taxes	3,842,964	3,798,723	-	-
Interest on investments	19,812	18,067	5,900	6,302
Insurance recovery	37,943	117,476	19,247	11,694
Interest expense	-	-	(58,820)	(77,824)
Gain on sale of capital assets	40,891	431	43,247	42,798
Revenue in lieu	33,800	-	-	-
Total nonoperating revenues (expenses), net	18,638,343	19,900,741	9,574	(17,030)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
CONTRIBUTIONS AND TRANSFERS	(3,375,923)	(1,374,158)	251,369	249,411
CAPITAL CONTRIBUTIONS				
TRANSFERS	59,118	5,429	-	-
Transfers in	41,000	5,741	-	-
Transfers out	(948,756)	(952,494)	-	-
Total transfers	(907,756)	(946,753)	-	-
CHANGE IN NET POSITION	(4,224,561)	(2,315,482)	251,369	249,411
NET POSITION, PREVIOUSLY REPORTED	55,945,411	59,779,339	4,836,129	4,646,718
RESTATEMENT	-	(1,518,446)	-	(60,000)
NET POSITION, RESTATED	55,945,411	58,260,893	4,836,129	4,586,718
NET POSITION, ENDING	\$ 51,720,850	\$ 55,945,411	\$ 5,087,498	\$ 4,836,129

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, 2016 (With Comparative Totals as of June 30, 2015)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 3,016,102	\$ 2,584,314	\$ 941,102	\$ 2,300,208
Payments to employees	(11,329,899)	(843,574)	(1,030,931)	(977,710)
Payments to suppliers	(6,912,627)	(694,901)	(801,615)	(880,545)
Net cash provided by (used in) operating activities	(15,226,424)	1,045,839	(891,444)	441,953
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	3,303,753	-	1,169,986	-
Transit partner assistance received	9,737,099	-	-	-
Operating assistance received	-	-	-	7,500
Taxes and licenses received	4,287,559	-	-	-
Transfers to other funds	(39,175)	(909,581)	-	-
Transfers from other funds	-	35,000	-	6,000
Loan from general fund	-	-	-	-
Revenue in lieu received	33,800	-	-	-
Net cash provided by (used in) noncapital financing activities	17,323,036	(874,581)	1,169,986	13,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
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	40,891	-	-	-
Capital contributions	-	-	-	-
Proceeds from insurance recovery	36,018	1,925	-	-
Acquisition and construction of capital assets	(400,440)	-	(475,282)	(51,427)
Net cash provided by (used in) capital and related financing activities	(323,531)	1,925	(475,282)	(51,427)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	14,247	1,283	1,464	2,818
Net cash provided by investing activities	14,247	1,283	1,464	2,818

Continued

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 8,841,726	\$ 5,879,049	\$ 2,967,594	\$ 2,925,132
Payments to employees	(14,182,114)	(13,626,752)	(531,644)	(516,709)
Payments to suppliers	(9,289,688)	(8,958,493)	(1,405,379)	(596,678)
Net cash provided by (used in) operating activities	(14,630,076)	(16,706,196)	1,030,571	1,811,745
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grant funds received	4,473,739	5,413,675	-	-
Transit partner assistance received	9,737,099	10,089,421	-	-
Operating assistance received	7,500	7,200	-	-
Taxes and licenses received	4,287,559	4,254,471	-	-
Transfers to other funds	(948,756)	(952,494)	-	-
Transfers from other funds	41,000	5,741	-	-
Loan from general fund	-	(939,320)	-	-
Revenue in lieu received	33,800	-	-	-
Net cash provided by (used in) noncapital financing activities	17,631,941	17,878,694	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on Certificates of Participation and installment purchase agreements	-	-	(848,013)	(829,009)
Interest paid on Certificates of Participation and installment purchase agreements	-	-	(58,820)	(77,824)
Proceeds from sale of capital assets	40,891	431	43,247	43,725
Capital contributions	-	5,429	-	-
Proceeds from insurance recovery	37,943	111,320	19,247	11,694
Acquisition and construction of capital assets	(927,149)	(516,007)	(872,768)	(1,175,346)
Net cash provided by (used in) capital and related financing activities	(848,315)	(398,827)	(1,717,107)	(2,026,760)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	19,812	24,223	5,900	6,302
Net cash provided by investing activities	19,812	24,223	5,900	6,302

TOWN OF CHAPEL HILL, NORTH CAROLINA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Transit Fund	Parking Facilities Fund	Housing Operating Fund	(Nonmajor) Stormwater Management Fund
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,787,328	174,466	(195,276)	406,844
CASH AND INVESTMENTS, BEGINNING	11,735,380	1,157,211	3,255,901	2,334,978
CASH AND INVESTMENTS, ENDING	<u>\$ 13,522,708</u>	<u>\$ 1,331,677</u>	<u>\$ 3,060,625</u>	<u>\$ 2,741,822</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (21,294,911)	\$ 888,857	\$ (1,676,011)	\$ 67,799
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,647,657	71,431	622,357	67,492
Pension expense	(258,962)	(10,358)	(20,717)	(10,358)
Changes in assets and liabilities:				
Receivables	2,046,832	(12,721)	(6,378)	118,847
Prepaid items	219	-	-	4,670
Inventories	(171,446)	-	64,026	-
Due from other funds	-	-	5,041	-
Accounts payable	(313,782)	43,477	45,660	107,863
Accrued liabilities	(35,353)	(1,580)	1,697	(2,774)
Customer deposits	-	-	7,257	-
Accrued compensated absences	9,236	1,967	(20,786)	(5,697)
Accrued OPEB liability	1,144,086	64,766	86,410	94,111
(Increase) decrease in deferred outflows of resources for pensions	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (15,226,424)</u>	<u>\$ 1,045,839</u>	<u>\$ (891,444)</u>	<u>\$ 441,953</u>
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,118</u>	<u>\$ -</u>

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

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Enterprise Funds Comparative Totals		Internal Service Funds Comparative Totals	
	2016	2015	2016	2015
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	2,173,362	797,894	(680,636)	(208,713)
CASH AND INVESTMENTS, BEGINNING	18,483,470	17,685,576	4,717,957	4,926,670
CASH AND INVESTMENTS, ENDING	\$ 20,656,832	\$ 18,483,470	\$ 4,037,321	\$ 4,717,957
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (22,014,266)	\$ (21,274,899)	\$ 241,795	\$ 266,441
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	4,408,937	4,647,331	1,163,253	1,205,268
Pension expense	(300,395)	61,286		
Changes in assets and liabilities:				
Receivables	2,146,580	(717,755)	3,461	(2,040)
Prepaid items	4,889	(5,188)	-	-
Inventories	(107,420)	(238,917)	26,683	(25,067)
Due from other funds	5,041	-	-	-
Accounts payable	(116,782)	213,575	(454,981)	358,983
Accrued liabilities	(38,010)	41,764	750	(3,845)
Customer deposits	7,257	2,834	-	-
Accrued compensated absences	(15,280)	11,685	10,538	(12,019)
Accrued OPEB liability	1,389,373	1,298,582	49,430	51,099
(Increase) decrease in deferred outflows of resources for pensions	-	(746,494)	(10,358)	(27,075)
Net cash provided by (used in) operating activities	\$ (14,630,076)	\$ (16,706,196)	\$ 1,030,571	\$ 1,811,745
SUMMARY OF NON-CASH ACTIVITIES:				
Capital asset contributions	\$ 59,118	\$ -	\$ -	\$ -

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

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**TOWN OF CHAPEL HILL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. 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 satisfied.

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

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

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

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

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

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

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

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

4. Budgetary Data

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

Expenditures may not legally exceed appropriations at the functional level in the General Fund and at the fund level in multi-year funds. The Town Council must approve amendments at the functional level of the General Fund and at the project level in all other governmental and enterprise funds. The budgets in the supplemental section represent the budget as amended through June 30, 2016.

The Council's schedule for developing the 2015-16 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 8, 2015.

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. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

6. Cash and Cash Equivalents

The Town pools the cash resources of its funds to facilitate disbursement and investment and to maximize investment income. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as "cash and cash equivalents." A portion of the cash of the Housing Operations Fund is classified as restricted, because the cash represents tenant security deposits. Restricted cash in the Vehicle Replacement Internal Service Fund represents unspent loan proceeds restricted for the future purchase of equipment. Proceeds from the issuance of bonds and installment purchase agreements in the Capital Projects Ordinance Fund are restricted for capital projects. Also restricted are grants and donations in the 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	\$	378,163
Capital Projects Ordinance Fund		
Unspent bond proceeds		6,852,579
Capital Reserve Fund		
Capital project restrictions		215,226
Transit Capital Grants Fund		
Grant restrictions		20,538
Public Housing Capital Grants Fund		
Grant restrictions		16,003
Transitional Housing Fund		
Tenant deposits		17,681
Grants Fund		
Grant restrictions		54,696
Library Gift Fund		
Donation restrictions		62,938
Vehicle Replacement Fund		
Unspent loan proceeds		<u>892,937</u>
Total government activities	\$	<u>8,510,761</u>
Business-type Activities:		
Housing Fund		
Customer deposits	\$	83,459
Stormwater Fund		
Customer deposits		<u>30,175</u>
Total business-type activities	\$	<u>113,634</u>
Total Restricted Cash	\$	<u><u>8,624,395</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 1st (lien date); however, interest does not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2015.

9. Allowances for Doubtful Accounts

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

10. Inventories

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

11. Prepaid Items

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

12. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported under governmental or business-type activities in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year for both the Town and OWASA. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair market value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition cost.

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

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

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

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

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – prepaid taxes, fees and charges receivable, property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

14. Long-term Obligations

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

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

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

15. Compensated Absences

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

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

16. Net Position and Fund Balances

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

A difference of \$6,852,579 in Restricted Net Position between Exhibit 3, Governmental Funds Balance Sheet and Exhibit 1, Statement of Net Position is equal to unspent bond proceeds.

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2016, the Town's deposits had a carrying amount of \$69,669,686 and a bank balance of \$69,694,597. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$18,378,063 was covered by collateral held under the Dedicated Method and \$50,066,534 was covered by collateral held under the Pooling Method. The Town had petty cash on hand of \$7,958 at year end.

At June 30, 2016, OWASA's deposits had a carrying amount of \$28,078,156 and a bank balance of \$18,406,716. Of the bank balance, \$2,284,237 was covered by federal depository insurance and \$16,122,479 in interest-bearing deposits was covered by collateral held under the pooling method. OWASA had cash on hand of \$2,700 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 external investment pool.

At June 30, 2016, the Town of Chapel Hill had \$5,012,948 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, 2016, OWASA had \$6,984,886 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 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town and OWASA's investments in the North Carolina Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2016.

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, 2016 consists of the following:

	Governmental Funds	Business-Type Funds
Sales tax refunds receivable	\$ 554,529	\$ -
Due from Federal Government	729,310	73,146
Due from State	4,751,146	752,568
Due from local governments	473,252	330,048
	\$ 6,508,237	\$ 1,155,762

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

Property taxes receivable	\$ 378,028	\$ -
Vehicle licenses receivable	25,558	25,558
Accounts receivable	7,002	25,005
	\$ 410,588	\$ 50,563

E. Capital Assets

A summary of changes in the value of the Town's capital assets for the year ended June 30, 2016 follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 27,328,900	\$ -	\$ -	\$ 27,328,900
Easements	136,836	71,287	-	208,123
Construction in progress	7,660,462	6,398,859	4,546,539	9,512,782
Total capital assets, not being depreciated	<u>35,126,198</u>	<u>6,470,146</u>	<u>4,546,539</u>	<u>37,049,805</u>
Capital assets, being depreciated:				
Land improvements	22,196,524	1,857,814	-	24,054,338
Infrastructure	35,940,326	-	-	35,940,326
Buildings and building improvements	80,218,180	1,217,124	-	81,435,304
Equipment	7,207,917	1,622,418	15,180	8,815,155
Vehicles	16,889,341	872,768	315,320	17,446,789
Total capital assets, being depreciated	<u>162,452,288</u>	<u>5,570,124</u>	<u>330,500</u>	<u>167,691,912</u>
Accumulated depreciation:				
Land improvements	7,338,714	1,076,244	-	8,414,958
Infrastructure	24,876,107	1,437,613	-	26,313,720
Buildings and building improvements	31,398,481	3,533,364	-	34,931,845
Equipment	5,212,315	559,535	15,180	5,756,670
Vehicles	11,891,353	1,256,542	315,320	12,832,575
Total accumulated depreciation	<u>80,716,970</u>	<u>7,863,298</u>	<u>330,500</u>	<u>88,249,768</u>
Total capital assets, being depreciated, net	<u>81,735,318</u>	<u>(2,293,174)</u>	<u>-</u>	<u>79,442,144</u>
Governmental activities capital assets, net	<u>\$ 116,861,516</u>	<u>\$ 4,176,972</u>	<u>\$ 4,546,539</u>	<u>\$ 116,491,949</u>

	July 1, 2015	Increases	Decreases	June 30, 2016
Business-type activities:				
Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,099,537	\$ -	\$ -	\$ 2,099,537
Construction in progress	-	69,248	-	69,248
Total capital assets, not being depreciated	<u>2,099,537</u>	<u>69,248</u>	<u>-</u>	<u>2,168,785</u>
Capital assets, being depreciated:				
Land improvements	5,974,008	-	-	5,974,008
Buildings and building improvements	17,623,884	-	-	17,623,884
Equipment	2,047,218	-	-	2,047,218
Vehicles	40,880,438	331,192	370,747	40,840,883
Total capital assets, being depreciated	<u>66,525,548</u>	<u>331,192</u>	<u>370,747</u>	<u>66,485,993</u>
Accumulated depreciation:				
Land improvements	3,904,559	187,133	-	4,091,692
Buildings and building improvements	6,635,107	816,463	-	7,451,570
Equipment	1,880,887	107,300	-	1,988,187
Vehicles	24,217,030	2,536,761	370,747	26,383,044
Total accumulated depreciation	<u>36,637,583</u>	<u>3,647,657</u>	<u>370,747</u>	<u>39,914,493</u>
Total capital assets, being depreciated, net	<u>29,887,965</u>	<u>(3,316,465)</u>	<u>-</u>	<u>26,571,500</u>
Transit fund capital assets, net	<u>\$ 31,987,502</u>	<u>\$ (3,247,217)</u>	<u>\$ -</u>	<u>\$ 28,740,285</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>3,231,115</u>	<u>-</u>	<u>-</u>	<u>3,231,115</u>
Capital assets, being depreciated:				
Land improvements	493,631	-	-	493,631
Buildings and building improvements	7,296,236	-	-	7,296,236
Equipment	677,025	-	-	677,025
Total capital assets, being depreciated	<u>8,466,892</u>	<u>-</u>	<u>-</u>	<u>8,466,892</u>
Accumulated depreciation:				
Land improvements	394,522	8,824	-	403,346
Buildings and building improvements	7,283,190	1,621	-	7,284,811
Equipment	504,299	60,986	-	565,285
Total accumulated depreciation	<u>8,182,011</u>	<u>71,431</u>	<u>-</u>	<u>8,253,442</u>
Total capital assets, being depreciated, net	<u>284,881</u>	<u>(71,431)</u>	<u>-</u>	<u>213,450</u>
Parking facilities fund capital assets, net	<u>\$ 3,515,996</u>	<u>\$ (71,431)</u>	<u>\$ -</u>	<u>\$ 3,444,565</u>

	July 1, 2015	Increases	Decreases	June 30, 2016
Housing Operating Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,701,659	\$ -	\$ -	\$ 1,701,659
Construction in progress	157,264	115,000	-	272,264
Total capital assets, not being depreciated	<u>1,858,923</u>	<u>115,000</u>	<u>-</u>	<u>1,973,923</u>
Capital assets, being depreciated:				
Land improvements	336,519	-	-	336,519
Buildings and building improvements	22,802,072	361,952	-	23,164,024
Equipment	438,283	-	-	438,283
Vehicles	217,315	57,448	-	274,763
Total capital assets, being depreciated	<u>23,794,189</u>	<u>419,400</u>	<u>-</u>	<u>24,213,589</u>
Accumulated depreciation:				
Land improvements	253,101	11,774	-	264,875
Buildings and building improvements	14,467,600	590,802	-	15,058,402
Equipment	360,975	11,893	-	372,868
Vehicles	200,285	7,888	-	208,173
Total accumulated depreciation	<u>15,281,961</u>	<u>622,357</u>	<u>-</u>	<u>15,904,318</u>
Total capital assets, being depreciated, net	<u>8,512,228</u>	<u>(202,957)</u>	<u>-</u>	<u>8,309,271</u>
Housing operating fund capital assets, net	<u>\$ 10,371,151</u>	<u>\$ (87,957)</u>	<u>\$ -</u>	<u>\$ 10,283,194</u>
Stormwater Management Fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 58,947	\$ 3,410	\$ -	\$ 62,357
Total capital assets, not being depreciated	<u>58,947</u>	<u>3,410</u>	<u>-</u>	<u>62,357</u>
Capital assets, being depreciated:				
Land improvements	1,080,541	27,940	-	1,108,481
Equipment	68,481	20,077	-	88,558
Total capital assets, being depreciated	<u>1,149,022</u>	<u>48,017</u>	<u>-</u>	<u>1,197,039</u>
Accumulated depreciation:				
Land improvements	219,723	55,475	-	275,198
Equipment	17,535	12,017	-	29,552
Total accumulated depreciation	<u>237,258</u>	<u>67,492</u>	<u>-</u>	<u>304,750</u>
Total capital assets, being depreciated, net	<u>911,764</u>	<u>(19,475)</u>	<u>-</u>	<u>892,289</u>
Stormwater management fund capital assets, net	<u>\$ 970,711</u>	<u>\$ (16,065)</u>	<u>\$ -</u>	<u>\$ 954,646</u>
Business-type activities capital assets, net	<u>\$ 46,845,360</u>	<u>\$ (3,422,670)</u>	<u>\$ -</u>	<u>\$ 43,422,690</u>

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

Governmental activities:	
General government	\$ 244,484
Environment and development	3,799,917
Public safety	286,375
Leisure activities	2,369,269
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,163,253
Total depreciation expense - governmental activities	\$ 7,863,298
Business-type activities:	
Transit	\$ 3,647,657
Parking facilities	71,431
Housing Operating	622,357
Stormwater Management	67,492
Total depreciation expense - business-type activities	\$ 4,408,937

A summary of changes in the value of OWASA's capital assets for the year ended June 30, 2016, follows:

	July 1, 2015	Increases	Decreases	Transfers	June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 17,605,354	\$ -	\$ -		\$ 17,605,354
Construction in progress	26,015,137	8,366,893	-	(1,780,504)	32,601,526
Total capital assets, not being depreciated	43,620,491	8,366,893	-	(1,780,504)	50,206,880
Capital assets, being depreciated:					
Water treatment and distribution	160,751,096	707,678	-	746,231	162,205,005
Sewer collection and treatment	200,258,937	470,920	-	896,507	201,626,364
Fixtures and equipment	43,088,587	332,252	-	137,766	43,558,605
Total capital assets, being depreciated	404,098,620	1,510,850	-	1,780,504	407,389,974
Less accumulated depreciation for:					
Water treatment and distribution	57,084,167	3,690,035	-	-	60,774,202
Sewer collection and treatment	59,570,208	4,061,746	-	-	63,631,954
Fixtures and equipment	31,060,269	1,167,343	-	-	32,227,612
Total accumulated depreciation	147,714,644	8,919,124	-	-	156,633,768
Total capital assets, being depreciated, net	256,383,976	(7,408,274)	-	1,780,504	250,756,206
Total capital assets, net	\$ 300,004,467	\$ 958,619	\$ -	\$ -	\$ 300,963,086

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

Capital Assets	\$ 189,455,114
Depreciation	(76,756,070)
	<u>112,699,044</u>
Internal service fund capital assets, net of depreciation	3,792,905
Total Capital Assets, net	<u>\$ 116,491,949</u>
Debt:	
Short-term portion of debt	\$ 7,861,414
Long-term portion of debt	73,689,955
Total Debt	<u>81,551,369</u>
Less Separation allowance (unrelated to capital)	(415,060)
Less Net Pension Liability (unrelated to capital)	(1,975,867)
Less Compensated absences (unrelated to capital)	(2,724,530)
Less Other Postemployment Benefits (unrelated to capital)	(20,038,013)
Unspent proceeds, governmental funds	(6,852,579)
Unspent proceeds, internal service funds	(892,937)
Capital Related Debt	<u>48,652,383</u>
Net investment in capital assets	<u>\$ 67,839,566</u>

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

Total Capital Assets, net	<u>\$ 43,422,690</u>
Debt:	
Short-term portion of debt	599,026
Long-term portion of debt	10,167,459
Total Debt	<u>10,766,485</u>
Less Net Pension Liability (unrelated to capital)	(734,535)
Less Compensated Absences (unrelated to capital)	(603,015)
Less Other Postemployment Benefits (unrelated to capital)	(9,428,935)
Capital Related Debt	<u>-</u>
Net investment in capital assets	<u>\$ 43,422,690</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, 2016 is as follows:

Governmental Activities:	<u>Outstanding</u>
<i>General obligation bonds</i>	
\$4,490,000 Refunding 1998 and 2000 bond issues for construction and renovation to Parks and recreation facilities, streets and sidewalks, and for acquisition of open space and greenways - 2009 refunding serial bonds payable in annual installments of \$30,000 to \$735,000 through 2019; interest at 2% to 4%	\$ 840,000
\$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%	3,060,000
\$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	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	3,035,000
\$1,700,000 Construction and renovation to Town facilities, including streets and sidewalks (\$1,000,000) and Parks and recreation facilities (\$700,000)- 2012 serial bonds payable in annual installments of \$170,000 through 2032; interest at 2% to 2.7%	1,360,000
\$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%	2,927,000
<i>Total general obligation bonds</i>	<u>\$ 23,472,000</u>
<i>Limited Obligation Bonds</i>	
\$28,800,000 - Limited Obligation Bonds to refinance installment notes payable for renovations to parks facilities, to refinance Certificates of Participation that were used to finance the acquisition and construction of the Town Operations Center, to finance the acquisition of parking space in a parking deck to be constructed within a mixed-use development, and to finance improvements to Town facilities including the Wallace Deck and Town Operations Center - 2012 series limited obligation bonds payable in annual installments at \$445,000 to \$2,215,000; interest at 2% to 5%	<u>\$ 20,210,000</u>

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

10,379,000

Purchase of fleet replacement vehicles:

\$1,604,000 - SunTrust Bank installment purchase contract entered into February 2010 payable in annual installments of \$256,439 through 2017; interest at 3.075%	250,643
\$1,600,000 - Bank of America installment purchase contract entered into February 2011 payable in annual installments of \$249,764 through 2018; interest at 2.41%	484,836
\$887,000 - BB&T installment purchase contract entered into February 2012 payable in annual installments of \$135,039 through 2019; interest at 1.72%	393,197
\$431,200 - SunTrust Bank installment purchase contract entered into September 2012 payable in annual installments of \$65,145 through 2020; interest at 1.51%	251,945
\$445,000 - Wells Fargo Bank installment purchase contract entered into June 2013 payable in annual installments of \$67,254 through 2020; interest at 1.52%	260,014
\$872,000 - SunTrust Bank installment purchase contract entered into December 2013 payable in annual installments of \$133,192 through 2020; interest at 1.81%	573,118

2,213,753

Total installment notes payables

\$ 12,592,753

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
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	1,687,000	572,442	2,259,442
2022-2026	7,592,000	2,064,149	9,656,149
2027-2031	5,727,000	775,292	6,502,292
2032	85,000	2,251	87,251
	<u>\$ 23,472,000</u>	<u>\$ 6,316,622</u>	<u>\$ 29,788,622</u>

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

Year Ending June 30,	Principal	Interest	Total
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	1,980,000	583,331	2,563,331
2022-2026	7,895,000	1,447,155	9,342,155
2027-2031	1,985,000	331,350	2,316,350
2032	445,000	17,803	462,803
	<u>\$ 20,210,000</u>	<u>\$ 5,666,213</u>	<u>\$ 25,876,213</u>

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,541,474	\$ 271,790	\$ 1,813,264
2018	1,306,009	242,940	1,548,949
2019	1,073,167	216,441	1,289,608
2020	951,112	194,741	1,145,853
2021	762,991	174,987	937,978
2022-2026	3,591,000	628,033	4,219,033
2027-2031	3,367,000	225,368	3,592,368
	<u>\$ 12,592,753</u>	<u>\$ 1,954,300</u>	<u>\$ 14,547,053</u>

Long-term debt activity for the year ended June 30, 2016 was as follows:

	June 30, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 25,662,000	\$ -	\$ 2,190,000	\$ 23,472,000	\$ 2,191,000
Limited obligation bonds	22,350,000	-	2,140,000	20,210,000	2,165,000
Installment notes payable	2,395,000	7,984,000	-	10,379,000	674,000
Installment notes payable - internal service funds	3,061,766	-	848,013	2,213,753	867,474
Orange County loan payable	123,146	-	-	123,146	-
Net pension obligation for separation allowance	307,861	107,199	-	415,060	-
Net pension liability for LGERS	-	1,955,978	-	1,955,978	-
Net pension liability for LGERS - internal service funds	-	19,889	-	19,889	-
Compensated absences - governmental activities	2,513,510	2,124,823	1,947,127	2,691,206	1,947,127
Compensated absences - internal service funds	22,786	27,351	16,813	33,324	16,813
Other postemployment benefits	16,746,356	2,929,901	-	19,676,257	-
Other postemployment benefits - internal service funds	312,326	49,430	-	361,756	-
Long-term debt	<u>\$ 73,494,751</u>	<u>\$ 15,198,571</u>	<u>\$ 7,141,953</u>	<u>\$ 81,551,369</u>	<u>\$ 7,861,414</u>
Business-type activities:					
Net pension liability for LGERS	\$ -	\$ 734,535	\$ -	\$ 734,535	\$ -
Compensated absences	618,295	634,080	649,360	603,015	599,026
Other postemployment benefits	8,039,562	1,389,373	-	9,428,935	-
Long-term debt	<u>\$ 8,657,857</u>	<u>\$ 2,757,988</u>	<u>\$ 649,360</u>	<u>\$ 10,766,485</u>	<u>\$ 599,026</u>

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset 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, 2016, \$13,600,000 of certificates of participation is considered defeased.

In November 2015, the Town held a general obligation bond referendum in the amount of \$40,300,000 that was approved by its citizens. At June 30, 2016, the entire amount was authorized but unissued.

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, 2016, the legal debt margin for the Town was approximately \$544 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, 2016 consists of the following:

Revenue Bonds:

Revenue bonds payable, Series 2015 Refunding Revenue Serial Bonds, in the amount of \$8,995,000, issued July 1, 2015, with a coupon rate of 4.5%; final maturity July 2031, net of deferred refunding loss of \$55,037 at June 30, 2016	\$ 8,995,000
Revenue bonds payable, Series 2014 Refunding Revenue Serial Bonds, in the amount of \$15,965,000, issued December 18, 2014, with coupon rates of 3.0% and 5.0%, final maturity July 2031, net of unamortized premium of \$1,402,739 at June 30, 2016	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 \$1,021,800 at June 30, 2016	18,745,000
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, 2016; revenue bonds payable, Series 2006 Revenue Term Bonds, in the amount of \$6,785,000, issued October 26, 2006, with interest rate of 5.0%, due in full July 2031	755,000
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	2,275,000
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	1,255,000
	\$ 67,720,000

Note Payable:

Note payable to NCDENR in the amount of \$6,560,000 issued October 4, 2014, interest at 0%, Federal Revolving Loan, beginning May 2015, payable in annual installments of \$328,000 with a final payment due in May 2034	\$ 5,904,000
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OWASA bond payable maturities are as follows:

Fiscal Year	Maturities	Amortization of Premiums and Deferred Refunding		
		Losses	Total	Interest
2017	5,885,000	190,222	6,075,222	7,148,093
2018	4,785,000	190,222	4,975,222	7,629,241
2019	4,940,000	190,222	5,130,222	7,371,002
2020	5,130,000	190,221	5,320,221	7,111,487
2021	4,105,000	203,981	4,308,981	6,846,285
2022-2026	23,465,000	937,055	24,402,055	26,705,960
2027-2031	18,025,000	467,579	18,492,579	8,472,060
2032	1,385,000	-	1,385,000	64,950
Total	\$ 67,720,000	\$ 2,369,502	\$ 70,089,502	\$ 71,349,078

OWASA note payable maturities are as follows:

Fiscal Year	Maturities	Interest	Total
2017	328,000	-	328,000
2018	328,000	-	328,000
2019	328,000	-	328,000
2020	328,000	-	328,000
2021	328,000	-	328,000
2022-2026	1,640,000	-	1,640,000
2027-2031	1,640,000	-	1,640,000
2032-2034	984,000	-	984,000
Total	\$ 5,904,000	\$ -	\$ 5,904,000

On December 18, 2014, OWASA issued \$15,695,000 of Series 2014 revenue bonds to provide resources that were placed in an irrevocable trust to be used for future debt service payments of \$16,430,000 of Series 2006 revenue bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$561,010. This amount is being amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$1,984,121 and resulted in an economic gain of \$1,596,310. On June 30, 2016, \$16,430,000 of bond outstanding are defeased.

On July 1, 2015, OWASA issued \$8,995,000 of Series 2015 revenue bonds to provide resources that were placed in an irrevocable trust to be used for all future debt service payments of \$8,930,000 of Series 2005 revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$65,000. This amount is being amortized over the life of the new

debt issued, which is shorter than the life of the refunded debt. This direct purchase forward refunding was undertaken to reduce total debt service payments over the next 5 years by \$613,660 and resulted in an economic gain of \$584,285. On June 30, 2016, \$8,930,000 of bonds outstanding is defeased.

OWASA's long-term debt activity for the year ended June 30, 2016 is as follows:

	July 1, 2015	Additions	Reductions	June 30, 2016	Due Within One Year
Notes payable	\$ 6,232,000	\$ -	\$ 328,000	\$ 5,904,000	\$ 328,000
Bonds payable:					
Revenue bonds	72,910,000	8,995,000	14,185,000	67,720,000	5,885,000
For issuance premiums	4,937,175	-	665,607	4,271,568	381,841
Compensated absences	516,863	537,023	509,203	544,683	500,000
Net pension liability (LGERs)	-	538,330	-	538,330	-
OPEB	5,829,195	739,324	272,751	6,295,768	-
Total bonds payable	\$ 90,425,233	\$ 10,809,677	\$ 15,960,561	\$ 85,274,349	\$ 7,094,841

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 \$67,720,000 in revenue bonds issued in 2003, 2004A, 2005, 2006, 2010, 2014 and 2015. Proceeds from the bonds were used for rehabilitation or expansion of the Authority's water and sewer systems. Annual principal and interest payments are expected to require less than 23% of net revenues. Principal and interest on the bonds are payable through 2032, solely from the water and sewer customer net revenues. The total principal and interest remaining to be paid on the bonds is \$139,069,078. Principal and interest paid in the year ended June 30, 2016 was \$7,312,093 and total customer net revenues for the year ended June 30, 2016 was \$36,369,370.

OWASA is in compliance with the covenants to rates, fees, rentals, and charges in the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2003, 2004A, 2005, 2006, 2010, 2014 and 2015. The Bond Order requires the debt service coverage ratio to be no less than 120% of the debt service requirements for parity indebtedness.

The debt service coverage ratio calculation for the year ended June 30, 2016, is as follows:

Operating revenues	\$ 37,787,685
Operating expenses *	<u>19,624,902</u>
Income available for debt service	<u>\$ 18,162,783</u>
Debt service, principal and interest paid	<u>\$ 7,662,664</u>
Debt service coverage ratio for parity debt	<u>237.03%</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, 2016, OWASA was in compliance with the bond covenants described above.

G. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 2,483,084

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

<u>Source</u>	<u>Amount</u>
Prepaid taxes (General Fund)	\$ 119,128
Pension deferrals	1,473,264
	<u>\$ 1,592,392</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	\$ 32,743,780
Less:	
Inventories	840
Prepaid expenses	7,551
Stabilization by State Statute	10,706,650
Parks projects	117,123
Streets projects	323,008
Public safety	213,023
OPEB allocation	2,258,000
Workforce development	253,860
Economic development	166,980
Appropriated in FY17 budget	2,706,550
Working capital fund balance reserve	6,649,264
Remaining fund balance	<u>9,340,931</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	\$ 4,589,283
Capital Projects Ordinance Fund	6,562,280
Non-major funds	1,300,118

I. Interfund Receivables, Payables and Transfers

Interfund receivables and payables. At June 30, 2016, the statements of the Town include a net of balances due to/from other funds in the amount of \$3,461,037 as detailed below. The payables in the Transit capital grants fund and Housing fund represent the borrowing of cash to cover expenditures not yet reimbursed by grants at year-end. The Parking facility fund payable represents the COPS debt refunded by issuance of limited obligation bonds that are now carried in the Debt service fund.

Receivable Fund	Payable Fund	Amount
Transit fund	Nonmajor governmental	\$ (129,485)
General fund	Housing fund	5,041
Debt service fund	Parking facility fund	3,585,481
		<u>\$ 3,461,037</u>

Interfund transfers. A schedule of interfund transfers for the year ended June 30, 2016 is as follows:

Interfund transfers to/(from) governmental funds

From General Fund to Stormwater Fund	\$ (6,000)
From General Fund to Parking Fund	(35,000)
From Parking Fund to Debt Service Fund	909,581
From Transit Fund to Nonmajor Fund	<u>39,175</u>
Total transfers to governmental funds from proprietary funds	<u>\$ 907,756</u>

Transfers between governmental funds:

From Nonmajor Fund to General Fund	2,245,000
From Nonmajor Fund to Capital Projects Ordinance Fund	308,206
From General Fund to Nonmajor Fund	876,543
From General Fund to Capital Projects Ordinance Fund	500,000

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 \$6,000 from the General Fund to the Stormwater Fund is a reimbursement of a fee exemption. The transfer of \$35,000 from the General Fund to the Parking Fund was for a short-term rental of parking lot space. 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, 2016, was 7.15% of compensation for law enforcement officers and 6.76% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. For OWASA, the current rate for employees is 7.31%. The Town's contributions to the pension for the years ended June 30, 2016, were \$2,483,084 and OWASA's contributions were \$510,262.

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, 2016, the Town reported a liability of \$2,710,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.60393%, which was an increase of 0.00190% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,447,249. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 637,104
Net difference between projected and actual earnings on pension plan investments	-	771,648
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	64,512
Town contributions subsequent to measurement date	2,483,084	-
Total	<u>\$ 2,483,084</u>	<u>\$ 1,473,264</u>

\$2,483,084 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (920,621)
2018	(920,621)
2019	(919,432)
2020	1,287,410
2021	-
Thereafter	-
	<u>\$ (1,473,264)</u>

Actuarial Assumptions: The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (a) inflation rate of 3.0 percent, (b) salary increases of 4.25% to 8.55%, including inflation and a productivity factor, (c) investment rate of return of 7.25%, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the December 31, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 18,900,011	\$ 2,710,402	\$ (10,928,985)

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, 2015, the Separation Allowance's membership consisted of:

Retirees receiving benefits	17
Active Plan members	116
	<hr/>
	133
	<hr/> <hr/>

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 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 appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were 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	\$ 441,127
b Interest on net pension obligation	15,393
c Adjustment to annual required contribution	<u>(27,054)</u>
d Annual pension cost (a) + (b) + (c)	\$ 429,466
e Employer contributions made for fiscal year ended 6/30/2016	<u>322,267</u>
f Increase (decrease) in net pension obligation (d) - (e)	\$ 107,199
g Net pension obligation, beginning of fiscal year	<u>307,861</u>
h Net pension obligation, end of fiscal year (f) + (g)	<u>\$ 415,060</u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation, End of Year
6/30/2014	320,786	99.12%	241,947
6/30/2015	385,305	82.89%	307,861
6/30/2016	429,466	75.04%	415,060

Funded Status and Funding Progress: As of December 31, 2015, 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 \$4,897,799. The covered payroll (annual payroll of active employees covered by the plan) was \$6,658,279, and the ratio of the UAAL to the covered payroll was 73.56 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, 2016 were \$475,131, which consisted of \$316,257 from the Town and \$158,874 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, 2016 were \$2,167,133, which consisted of \$1,490,397 from the Town and \$676,736 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
	<hr/>
	728
	<hr/> <hr/>

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, 2016, the Town made payments for post-retirement health benefit premiums of \$1,520,177 and the retirees made payments of \$175,057 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 (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows:

For Year Ended June 30	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 5,522,093	27.4%	\$ 21,165,852
2015	5,517,527	28.7%	25,098,244
2016	5,888,881	25.8%	29,466,948

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	\$ 6,394,883
Interest on net OPEB obligation	1,003,930
Adjustment to annual required contribution	<u>(1,509,932)</u>
Annual OPEB cost (expense)	5,888,881
Contributions (adjusted for implicit subsidy)	<u>(1,520,177)</u>
Increase in net OPEB obligation	4,368,704
Net OPEB obligation, beginning of year	<u>25,098,244</u>
Net OPEB obligation, end of year	<u><u>\$ 29,466,948</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%.

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, 2016 for the following:

Streets, Paving, Drainage and Sidewalks	\$ 2,390,747
Ephesus - Fordham Project	2,325,180
Parks & Recreation Projects	1,373,682
Miscellaneous Projects	1,056,900
Bolin Creek Trail	1,055,884
Town Hall Renovations	1,030,289
Vehicle/Bus/Truck Purchases	389,119
Workforce Development Projects	194,099
Traffic Projects	174,114
Transit Projects	142,091
Technology Projects	60,987
Public Housing Projects	31,076
	\$ 10,224,167

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, 2016.

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, 2016 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.

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SUPPLEMENTAL INFORMATION SCHEDULE 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)
12/31/2010	-	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%
12/31/2015	-	4,897,799	4,897,799	-	6,658,279	73.56%

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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization method	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50 - 7.35%
* Includes inflation at	3.00%
Cost of living adjustments	N/A

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

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

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	5,825,840	25.96%
2015	5,892,263	26.90%
2016	6,394,883	23.77%

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 Three Fiscal Years ***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Chapel Hill's proportion of the net pension liability (asset) (%)	0.60393%	0.60203%	0.60950%
Chapel Hill's proportion of the net pension liability (asset) (\$)	\$ 2,710,402	\$ (3,550,448)	\$ 7,346,815
Chapel Hill's covered-employee payroll	\$ 34,697,974	\$ 33,509,249	\$ 32,468,101
Chapel Hill's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.81%	-10.60%	22.63%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	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 Three Fiscal Years

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

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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, 2016 (With Comparative Totals as of June 30, 2015)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2016	2015
ASSETS				
Cash and cash equivalents	\$ 3,027,323	\$ 573,545	\$ 3,600,868	\$ 4,560,794
Receivables:				
Governmental units and agencies	238,582	408,451	647,033	521,619
Property taxes, net	-	4,571	4,571	-
Other	-	123,052	123,052	30,000
Inventories	-	16,538	16,538	16,538
Restricted cash and cash equivalents	251,767	135,315	387,082	614,944
TOTAL ASSETS	\$ 3,517,672	\$ 1,261,472	\$ 4,779,144	\$ 5,743,895
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 130,413	\$ 59,699	\$ 190,112	\$ 202,199
Accounts payable	322,025	59,410	381,435	136,900
Accrued liabilities	-	6,217	6,217	8,662
Unearned revenue	20,538	138,845	159,383	111,058
Accounts payable from restricted assets	17,423	62,551	79,974	37,409
Other payables from restricted assets	-	17,681	17,681	14,950
Total liabilities	490,399	344,403	834,802	511,178
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	-	4,571	4,571	-
FUND BALANCES				
Nonspendable				
Inventories	-	16,538	16,538	16,538
Restricted				
Stabilization by State Statute	1,248,237	826,537	2,074,774	2,972,053
Public housing	16,003	113,836	129,839	127,623
Public safety	-	37,548	37,548	22,436
Library	-	157,533	157,533	152,131
Transit capital purchases	20,538	-	20,538	18,317
Infrastructure capital projects	215,226	-	215,226	214,996
Streets	-	10,262	10,262	16,689
Committed				
Municipal buildings capital projects	549,273	-	549,273	119,300
Technology capital projects	-	-	-	780,001
Fire capital projects	502,675	-	502,675	637,093
Public housing	-	480,562	480,562	599,938
Economic development	-	65,479	65,479	108,152
Assigned				
Subsequent year's expenditures	25,674	30,740	56,414	135,237
Municipal buildings capital projects	721,282	-	721,282	612,849
Parks capital projects	110,193	-	110,193	506,877
Technology capital projects	43,800	-	43,800	43,800
Unassigned	(425,628)	(826,537)	(1,252,165)	(1,851,313)
Total fund balances	3,027,273	912,498	3,939,771	5,232,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,517,672	\$ 1,261,472	\$ 4,779,144	\$ 5,743,895

TOWN OF CHAPEL HILL, NORTH CAROLINA

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 445,140	\$ 17,689	\$ 30,492
Receivables:				
Governmental units and agencies	214,339	-	-	-
Property taxes, net	-	-	-	-
Other	-	-	-	-
Inventories	-	-	-	16,538
Restricted cash and cash equivalents	-	-	17,681	-
TOTAL ASSETS	<u>\$ 214,339</u>	<u>\$ 445,140</u>	<u>\$ 35,370</u>	<u>\$ 47,030</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 59,699	\$ -	\$ -	\$ -
Accounts payable	40,521	12,421	338	-
Accrued liabilities	283	-	-	-
Unearned revenue	-	-	-	-
Accounts payable from restricted assets	-	-	-	-
Other payables from restricted assets	-	-	17,681	-
Total liabilities	<u>100,503</u>	<u>12,421</u>	<u>18,019</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	-	-	-	-
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	16,538
Restricted				
Stabilization by State Statute	253,665	157,325	-	-
Public housing	113,836	-	-	-
Public safety	-	-	-	-
Library	-	-	-	-
Streets	-	-	-	-
Committed				
Public housing	-	432,719	17,351	30,492
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned	(253,665)	(157,325)	-	-
Total fund balances	<u>113,836</u>	<u>432,719</u>	<u>17,351</u>	<u>47,030</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 214,339</u>	<u>\$ 445,140</u>	<u>\$ 35,370</u>	<u>\$ 47,030</u>

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
				2016	2015
ASSETS					
Cash and cash equivalents	\$ -	\$ 80,224	\$ -	\$ 573,545	\$ 614,906
Receivables:					
Governmental units and agencies	185,264	-	8,848	408,451	289,519
Property taxes, net	-	4,571	-	4,571	-
Other	-	23,052	100,000	123,052	30,000
Inventories	-	-	-	16,538	16,538
Restricted cash and cash equivalents	54,696	-	62,938	135,315	367,844
TOTAL ASSETS	\$ 239,960	\$ 107,847	\$ 171,786	\$ 1,261,472	\$ 1,318,807
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ 59,699	\$ -
Accounts payable	-	6,130	-	59,410	20,592
Accrued liabilities	5,007	927	-	6,217	8,662
Unearned revenue	138,845	-	-	138,845	88,398
Accounts payable from restricted assets	48,298	-	14,253	62,551	21,248
Other payables from restricted assets	-	-	-	17,681	14,950
Total liabilities	192,150	7,057	14,253	344,403	153,850
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	-	4,571	-	4,571	-
FUND BALANCES					
Nonspendable					
Inventories	-	-	-	16,538	16,538
Restricted					
Stabilization by State Statute	263,382	27,623	124,542	826,537	365,079
Public housing	-	-	-	113,836	113,836
Public safety	37,548	-	-	37,548	22,436
Library	-	-	157,533	157,533	152,131
Streets	10,262	-	-	10,262	16,689
Committed					
Public housing	-	-	-	480,562	599,938
Economic development	-	65,479	-	65,479	108,152
Assigned					
Subsequent year's expenditures	-	30,740	-	30,740	135,237
Unassigned	(263,382)	(27,623)	(124,542)	(826,537)	(365,079)
Total fund balances	47,810	96,219	157,533	912,498	1,164,957
TOTAL LIABILITIES AND FUND BALANCES	\$ 239,960	\$ 107,847	\$ 171,786	\$ 1,261,472	\$ 1,318,807

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2016	2015
ASSETS						
Cash and cash equivalents	\$ 3,027,323	\$ -	\$ -	\$ -	\$ 3,027,323	\$ 3,945,888
Due from governmental units and agencies	85,480	-	130,905	22,197	238,582	232,100
Restricted cash and cash equivalents	-	215,226	20,538	16,003	251,767	247,100
TOTAL ASSETS	\$ 3,112,803	\$ 215,226	\$ 151,443	\$ 38,200	\$ 3,517,672	\$ 4,425,088
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 129,485	\$ 928	\$ 130,413	\$ 202,199
Accounts payable	314,258	-	-	7,767	322,025	116,308
Unearned revenue	-	-	20,538	-	20,538	22,660
Accounts payable from restricted assets	-	-	1,420	16,003	17,423	16,161
Total liabilities	314,258	-	151,443	24,698	490,399	357,328
FUND BALANCES						
Restricted						
Stabilization by State Statute	924,781	-	272,996	50,460	1,248,237	2,606,974
Public housing	-	-	-	16,003	16,003	13,787
Transit capital purchases	-	-	20,538	-	20,538	18,317
Infrastructure capital projects	-	215,226	-	-	215,226	214,996
Committed						
Municipal buildings capital projects	549,273	-	-	-	549,273	119,300
Technology capital projects	-	-	-	-	-	780,001
Fire capital projects	502,675	-	-	-	502,675	637,093
Assigned						
Subsequent expenditures	25,674	-	-	-	25,674	-
Municipal buildings capital projects	721,282	-	-	-	721,282	612,849
Parks capital projects	110,193	-	-	-	110,193	506,877
Technology capital projects	43,800	-	-	-	43,800	43,800
Unassigned	(79,133)	-	(293,534)	(52,961)	(425,628)	(1,486,234)
Total fund balances	2,798,545	215,226	-	13,502	3,027,273	4,067,760
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,112,803	\$ 215,226	\$ 151,443	\$ 38,200	\$ 3,517,672	\$ 4,425,088

OTHER GOVERNMENTAL FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Total Capital Projects Funds	Total Special Revenue Funds	Comparative Totals	
			2016	2015
REVENUES				
Taxes	\$ -	\$ 287,939	\$ 287,939	\$ 277,264
Intergovernmental revenues				
Federal government	425,389	621,560	1,046,949	1,024,147
State government	-	14,247	14,247	13,702
Other	2,729	24,483	27,212	101,039
Interest on investments	3,662	837	4,499	3,813
Franchise rental fees	70,081	-	70,081	72,423
Program income	22,238	18,688	40,926	30,999
Donations	-	336,150	336,150	110,654
Revenue in lieu	-	-	-	423,108
Insurance recovery	-	-	-	24,623
Other	1,289	1,310	2,599	16,666
Total revenues	525,388	1,305,214	1,830,602	2,098,438
EXPENDITURES				
Environment and development	-	1,073,287	1,073,287	1,208,211
Public safety	-	52,066	52,066	43,622
Leisure activities	-	485,863	485,863	101,399
Capital projects	3,017,347	-	3,017,347	2,061,106
Total expenditures	3,017,347	1,611,216	4,628,563	3,414,338
(DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(2,491,959)	(306,002)	(2,797,961)	(1,315,900)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	3,142,503	-	3,142,503	-
Transfer from other funds	817,175	98,543	915,718	2,364,782
Transfer to other funds	(2,508,206)	(45,000)	(2,553,206)	(45,000)
Total other financing sources (uses)	1,451,472	53,543	1,505,015	2,319,782
NET CHANGE IN TOTAL FUND BALANCES	(1,040,487)	(252,459)	(1,292,946)	1,003,882
FUND BALANCES, BEGINNING	4,067,760	1,164,957	5,232,717	4,228,835
FUND BALANCES, ENDING	\$ 3,027,273	\$ 912,498	\$ 3,939,771	\$ 5,232,717

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, 2016 (With Comparative Totals as of June 30, 2015)**

	Community Development Entitlement	Affordable Housing	Transitional Housing	Land Trust Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues				
Federal government	233,316	-	-	-
State government	-	-	-	-
Other	-	-	-	-
Interest on investments	-	548	32	32
Program income	7,339	-	11,349	-
Donations	-	-	-	-
Revenue in lieu	-	-	-	-
Other	-	-	-	-
Total revenues	240,655	548	11,381	32
EXPENDITURES				
Environment and development	240,655	125,835	5,502	-
Public safety	-	-	-	-
Leisure activities	-	-	-	-
Total expenditures	240,655	125,835	5,502	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(125,287)	5,879	32
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN TOTAL FUND BALANCES	-	(125,287)	5,879	32
FUND BALANCES, BEGINNING	113,836	558,006	11,472	46,998
FUND BALANCES, ENDING	\$ 113,836	\$ 432,719	\$ 17,351	\$ 47,030

OTHER GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Grants Fund	Downtown Service District	Library Gift Fund	Comparative Totals	
				2016	2015
REVENUES					
Taxes	\$ -	\$ 287,939	\$ -	\$ 287,939	\$ 277,264
Intergovernmental revenues					
Federal government	288,244	-	100,000	621,560	730,597
State government	14,247	-	-	14,247	13,702
Other	24,483	-	-	24,483	97,551
Interest on investments	-	110	115	837	876
Program income	-	-	-	18,688	18,081
Donations	-	-	336,150	336,150	110,654
Revenue in lieu	-	-	-	-	349,000
Other	-	1,310	-	1,310	1,166
Total revenues	326,974	289,359	436,265	1,305,214	1,598,891
EXPENDITURES					
Environment and development	364,766	336,529	-	1,073,287	1,208,211
Public safety	52,066	-	-	52,066	43,622
Leisure activities	-	-	485,863	485,863	101,399
Total expenditures	416,832	336,529	485,863	1,611,216	1,353,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	(89,858)	(47,170)	(49,598)	(306,002)	245,659
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	98,543	-	-	98,543	83,862
Transfers to other funds	-	-	(45,000)	(45,000)	(45,000)
Total other financing sources (uses)	98,543	-	(45,000)	53,543	38,862
NET CHANGE IN TOTAL FUND BALANCES					
	8,685	(47,170)	(94,598)	(252,459)	284,521
FUND BALANCES, BEGINNING					
	39,125	143,389	252,131	1,164,957	880,436
FUND BALANCES, ENDING					
	\$ 47,810	\$ 96,219	\$ 157,533	\$ 912,498	\$ 1,164,957

OTHER GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Capital Projects	Capital Reserve	Transit Grants	Public Housing Projects	Comparative Totals	
					2016	2015
REVENUES						
Intergovernmental revenues						
Federal government	\$ 76,083	\$ -	\$ 155,213	\$ 194,093	\$ 425,389	\$ 293,550
Other	-	-	2,729	-	2,729	3,488
Interest on investments	3,432	230	-	-	3,662	2,937
Franchise rental fees	70,081	-	-	-	70,081	72,423
Program income	22,238	-	-	-	22,238	12,918
Revenue in lieu	-	-	-	-	-	74,108
Insurance recovery	-	-	-	-	-	24,623
Other	-	-	-	1,289	1,289	15,500
Total revenues	171,834	230	157,942	195,382	525,388	499,547
EXPENDITURES						
Capital projects:						
Municipal facilities	250,795	-	-	195,667	446,462	1,330,037
Street improvements and sidewalks	106,319	-	-	-	106,319	47,026
Parks, recreation and open space	705,501	-	-	-	705,501	326,792
Technology and communications	925,524	-	-	-	925,524	118,437
Public safety	636,424	-	-	-	636,424	18,260
Transit equipment and improvements	-	-	197,117	-	197,117	220,554
Total expenditures	2,624,563	-	197,117	195,667	3,017,347	2,061,106
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,452,729)	230	(39,175)	(285)	(2,491,959)	(1,561,559)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	3,142,503	-	-	-	3,142,503	-
Transfer from other funds	778,000	-	39,175	-	817,175	2,237,507
Transfer to other funds	(2,508,206)	-	-	-	(2,508,206)	43,413
Total other financing sources (uses)	1,412,297	-	39,175	-	1,451,472	2,280,920
NET CHANGE IN TOTAL FUND BALANCES	(1,040,432)	230	-	(285)	(1,040,487)	719,361
FUND BALANCES, BEGINNING	3,838,977	214,996	-	13,787	4,067,760	3,348,399
FUND BALANCES, ENDING	\$ 2,798,545	\$ 215,226	\$ -	\$ 13,502	\$ 3,027,273	\$ 4,067,760

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, 2016 (With Comparative Totals as of June 30, 2015)

	Vehicle Replacement Fund	Vehicle Maintenance Fund	Computer Equipment Replacement Fund	Comparative Totals	
				2016	2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,112,886	\$ 544,982	\$ 486,516	\$ 3,144,384	\$ 2,209,050
Accounts receivable	-	17,304	-	17,304	20,765
Inventories	-	37,230	-	37,230	63,913
Restricted cash and cash equivalents	892,937	-	-	892,937	2,508,907
Total current assets	3,005,823	599,516	486,516	4,091,855	4,802,635
NONCURRENT ASSETS					
Net pension asset	-	-	-	-	42,720
Capital assets, net of depreciation	3,792,905	-	-	3,792,905	4,083,390
Total noncurrent assets	3,792,905	-	-	3,792,905	4,126,110
TOTAL ASSETS	6,798,728	599,516	486,516	7,884,760	8,928,745
DEFERRED OUTFLOWS OF RESOURCES					
Contributions to pension plan	-	29,812	-	29,812	29,497
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	23,740	133,002	-	156,742	611,723
Accrued liabilities	-	9,120	-	9,120	8,370
Compensated absences	-	16,813	-	16,813	22,786
Installment purchase agreements	867,474	-	-	867,474	848,006
Total current liabilities	891,214	158,935	-	1,050,149	1,490,885
NONCURRENT LIABILITIES					
Compensated absences	-	16,511	-	16,511	-
Other postemployment benefits	-	361,756	-	361,756	312,326
Net pension liability	-	19,889	-	19,889	-
Installment purchase agreements	1,346,279	-	-	1,346,279	2,213,760
Total noncurrent liabilities	1,346,279	398,156	-	1,744,435	2,526,086
TOTAL LIABILITIES	2,237,493	557,091	-	2,794,584	4,016,971
DEFERRED INFLOWS OF RESOURCES					
Pension deferrals	-	32,490	-	32,490	105,142
NET POSITION					
Net investment in capital assets	2,472,089	-	-	2,472,089	3,530,531
Unrestricted	2,089,146	39,747	486,516	2,615,409	1,305,598
TOTAL NET POSITION	\$ 4,561,235	\$ 39,747	\$ 486,516	\$ 5,087,498	\$ 4,836,129

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement	Maintenance	Equipment	2016	2015
	Fund	Fund	Replacement		
			Fund		
OPERATING REVENUES					
Charges for services	\$ 1,473,000	\$ 1,315,133	\$ 176,000	\$ 2,964,133	\$ 2,927,172
OPERATING EXPENSES					
Depreciation and amortization	1,163,253	-	-	1,163,253	1,205,268
Personnel	-	582,004	-	582,004	524,869
Operations	7,080	796,588	173,413	977,081	930,594
Total operating expenses	1,170,333	1,378,592	173,413	2,722,338	2,660,731
OPERATING INCOME (LOSS)	302,667	(63,459)	2,587	241,795	266,441
NONOPERATING REVENUES					
(EXPENSES)					
Insurance recovery	-	19,247	-	19,247	11,694
Interest on investments	4,763	562	575	5,900	6,302
Interest expense	(58,820)	-	-	(58,820)	(77,824)
Gain on sale of capital assets	43,136	-	111	43,247	42,798
Total nonoperating revenues (expenses), net	(10,921)	19,809	686	9,574	(17,030)
CHANGE IN NET POSITION	291,746	(43,650)	3,273	251,369	249,411
NET POSITION, PREVIOUSLY REPORTED	-	-	-	-	4,646,718
RESTATEMENT	-	-	-	-	(60,000)
NET POSITION, RESTATED	4,269,489	83,397	483,243	4,836,129	4,586,718
NET POSITION, ENDING	\$ 4,561,235	\$ 39,747	\$ 486,516	\$ 5,087,498	\$ 4,836,129

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 1,473,000	\$ 1,318,594	\$ 176,000	\$ 2,967,594	\$ 2,925,132
Payments to employees	-	(531,644)	-	(531,644)	(516,709)
Payments to suppliers	(283,388)	(805,693)	(316,298)	(1,405,379)	(596,678)
Net cash provided by (used in) operating activities	1,189,612	(18,743)	(140,298)	1,030,571	1,811,745
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from installment purchase agreements	-	-	-	-	-
Principal paid on installment purchase agreements	(848,013)	-	-	(848,013)	(829,009)
Interest paid on installment purchase agreements	(58,820)	-	-	(58,820)	(77,824)
Proceeds from sale of capital assets	43,136	-	111	43,247	43,725
Proceeds from insurance recovery	-	19,247	-	19,247	11,694
Acquisition and construction of capital assets	(872,768)	-	-	(872,768)	(1,175,346)
Net cash provided by (used in) capital and related financing activities	(1,736,465)	19,247	111	(1,717,107)	(2,026,760)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest on investments	4,763	562	575	5,900	6,302
Net cash provided by investing activities	4,763	562	575	5,900	6,302

Continued

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (With Comparative Totals as of June 30, 2015)

	Vehicle	Vehicle	Computer	Comparative Totals	
	Replacement Fund	Maintenance Fund	Equipment Replacement Fund	2016	2015
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(542,090)	1,066	(139,612)	(680,636)	(208,713)
CASH AND INVESTMENTS, BEGINNING	3,547,913	543,916	626,128	4,717,957	4,926,670
CASH AND INVESTMENTS, ENDING	<u>\$ 3,005,823</u>	<u>\$ 544,982</u>	<u>\$ 486,516</u>	<u>\$ 4,037,321</u>	<u>\$ 4,717,957</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating income (loss)	\$ 302,667	\$ (63,459)	\$ 2,587	\$ 241,795	\$ 266,441
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,163,253	-	-	1,163,253	1,205,268
Changes in assets and liabilities:					
Receivables	-	3,461	-	3,461	(2,040)
Inventories	-	26,683	-	26,683	(25,067)
Accounts payable	(276,308)	(35,788)	(142,885)	(454,981)	358,983
Accrued liabilities	-	750	-	750	(3,845)
Compensated absences	-	10,538	-	10,538	(12,019)
Accrued OPEB liability	-	49,430	-	49,430	51,099
Deferred outflows of resources for pensions	-	(10,358)	-	(10,358)	(27,075)
Net cash provided by operating activities	<u>\$ 1,189,612</u>	<u>\$ (18,743)</u>	<u>\$ (140,298)</u>	<u>\$ 1,030,571</u>	<u>\$ 1,811,745</u>

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GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes - current year	\$ 29,780,000	\$ 29,780,000	\$ 29,138,461	\$ (641,539)
Ad valorem taxes - prior years	140,000	140,000	112,674	(27,326)
Interest on delinquent taxes	50,000	50,000	77,353	27,353
Interest on state held taxes	-	-	1,207	1,207
Local option sales taxes	12,059,494	12,059,494	12,040,383	(19,111)
Occupancy tax	1,050,000	1,050,000	1,202,806	152,806
Other taxes	64,000	64,000	74,988	10,988
Total taxes	<u>43,143,494</u>	<u>43,143,494</u>	<u>42,647,872</u>	<u>(495,622)</u>
Licenses and permits				
Motor vehicles	420,000	420,000	445,634	25,634
Privilege licenses	-	-	4,620	4,620
Building permits	1,838,975	1,838,975	1,830,996	(7,979)
Special use permits	220,000	220,000	82,790	(137,210)
Work zone traffic permits	35,000	35,000	34,008	(992)
Engineering permits	14,000	14,000	60,965	46,965
Fire inspection fees	438,176	438,176	50,868	(387,308)
Traffic impact study and fees	103,000	139,072	104,983	(34,089)
Police permits	40,100	40,100	43,126	3,026
Fire permits	121,350	121,350	52,169	(69,181)
Total licenses and permits	<u>3,230,601</u>	<u>3,266,673</u>	<u>2,710,159</u>	<u>(556,514)</u>
Fines and forfeitures				
Garbage citations and leash law fees	2,000	2,000	1,200	(800)
Parking tickets and towing fees	26,000	26,000	16,438	(9,562)
False alarm fees	15,000	15,000	37,666	22,666
Total fines and forfeitures	<u>43,000</u>	<u>43,000</u>	<u>55,304</u>	<u>12,304</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Federal Government				
FEMA - Disaster assistance	\$ -	\$ -	\$ 8,222	\$ 8,222
USDOJ Equitable Sharing - Drug	13,000	13,000	-	(13,000)
Total federal government	13,000	13,000	8,222	(4,778)
State of North Carolina				
Beer and wine tax	240,000	240,000	262,873	22,873
Fuel tax (Powell Bill) funds	1,490,000	1,490,000	1,488,601	(1,399)
State fire protection	1,097,590	1,097,590	1,110,671	13,081
Utility franchise tax	3,000,000	3,000,000	4,371,501	1,371,501
Video programming tax	700,000	700,000	678,512	(21,488)
Supplemental PEG support	90,000	90,000	83,916	(6,084)
Solid waste disposal tax	32,000	32,000	38,732	6,732
State library aid	28,715	28,715	29,147	432
NCDOT Reimbursement grant	100,000	100,000	-	(100,000)
State Equitable Sharing - Drug	6,000	6,000	2,060	(3,940)
Total State of North Carolina	6,784,305	6,784,305	8,066,013	1,281,708
Other				
Orange County recreational support	83,760	83,760	83,760	-
Orange County library contribution	568,139	568,139	568,139	-
Carrboro contribution	-	8,435	8,435	-
Miscellaneous local grants	1,500	11,500	11,500	-
Total other	653,399	671,834	671,834	-
Total intergovernmental revenues	7,450,704	7,469,139	8,746,069	1,276,930

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Charges for services				
Library fines and fees	\$ 144,000	\$ 144,000	\$ 129,260	\$ (14,740)
Library delinquent collection fees	4,500	4,500	5,349	849
Street cuts and right of way	50,140	50,140	56,741	6,601
Traffic signals	250,000	262,000	470,045	208,045
Rent revenue	280,836	280,836	305,459	24,623
Cemetery staking	2,500	2,500	4,500	2,000
Fire districts	272,154	272,154	276,473	4,319
Solid waste collection	351,860	351,860	389,387	37,527
Planning review	724,600	724,600	73,948	(650,652)
Engineering review	25,000	25,000	29,844	4,844
Recreation	719,350	719,350	638,830	(80,520)
Charges to other funds	1,392,186	1,392,186	1,252,791	(139,395)
	<u>4,217,126</u>	<u>4,229,126</u>	<u>3,632,627</u>	<u>(596,499)</u>
Total charges for services				
Interest on investments	<u>22,500</u>	<u>22,500</u>	<u>30,070</u>	<u>7,570</u>
Other				
Sales - planning and documents	16,150	16,150	21,167	5,017
Sales - capital assets	5,000	5,000	16,809	11,809
Sales - fuel	12,000	12,000	6,291	(5,709)
Sales - miscellaneous	12,550	12,550	15,533	2,983
Cemetery lot sales	150,000	150,000	77,625	(72,375)
Court fees	25,000	25,000	29,253	4,253
Mutual aid reimbursements	420,761	420,761	529,106	108,345
Gifts and donations	108,000	108,000	83,493	(24,507)
Revenue in lieu	-	-	117,261	117,261
Insurance recovery	-	-	16,574	16,574
Miscellaneous	93,750	93,750	128,050	34,300
	<u>843,211</u>	<u>843,211</u>	<u>1,041,162</u>	<u>197,951</u>
Total other revenues				
TOTAL REVENUES	<u>58,950,636</u>	<u>59,017,143</u>	<u>58,863,263</u>	<u>(153,880)</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Mayor/Council	\$ 471,270	\$ 471,270	\$ 417,449	\$ 53,821
Manager/CaPA	2,364,707	2,458,817	2,108,140	350,677
Human Resources	1,708,151	1,969,496	1,460,369	509,127
Finance	1,996,679	2,012,915	1,912,799	100,116
Technology Solutions	1,491,763	1,523,876	1,260,460	263,416
Attorney	320,132	320,132	306,654	13,478
Total general government	<u>8,352,702</u>	<u>8,756,506</u>	<u>7,465,871</u>	<u>1,290,635</u>
Environment and development				
Planning and Sustainability	3,743,215	4,169,638	3,185,748	983,890
Housing and Community	599,491	661,329	590,949	70,380
Public Works	12,242,085	12,572,275	10,912,327	1,659,948
Total environment and development	<u>16,584,791</u>	<u>17,403,242</u>	<u>14,689,024</u>	<u>2,714,218</u>
Public safety				
Police	13,304,491	13,393,721	12,180,946	1,212,775
Fire	8,858,854	8,976,775	8,100,976	875,799
Total public safety	<u>22,163,345</u>	<u>22,370,496</u>	<u>20,281,922</u>	<u>2,088,574</u>
Leisure activities				
Parks and recreation	6,622,483	6,753,117	6,196,658	556,459
Library	2,832,155	3,013,492	2,873,501	139,991
Total leisure activities	<u>9,454,638</u>	<u>9,766,609</u>	<u>9,070,159</u>	<u>696,450</u>
Nondepartmental				
Liability insurance	400,000	400,000	308,645	91,355
Supplemental PEG expense	210,000	210,000	187,838	22,162
Contributions to agencies	979,838	1,037,577	1,010,875	26,702
Contribution to OPEB liability	-	2,258,000	-	2,258,000
Retiree medical insurance	1,050,000	1,050,000	1,090,612	(40,612)
General government	1,401,302	2,187,532	666,042	1,521,490
Total nondepartmental	<u>4,041,140</u>	<u>7,143,109</u>	<u>3,264,012</u>	<u>3,879,097</u>
Total expenditures	<u>60,596,616</u>	<u>65,439,962</u>	<u>54,770,988</u>	<u>10,668,974</u>

Continued

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,645,980)	(6,422,819)	4,092,275	10,515,094
OTHER FINANCING SOURCES (USES)				
Transfer from Library Gift Fund	45,000	45,000	45,000	-
Transfer from Capital Projects Fund	-	2,200,000	2,200,000	-
Transfer to Parking Fund	-	(35,000)	(35,000)	-
Transfer to Transit Fund	(247,836)	(247,836)	-	247,836
Transfer to Stormwater Fund	(6,500)	(6,500)	(6,000)	500
Transfer to Capital Projects Ordinance Fund	-	(2,043,306)	(500,000)	1,543,306
Transfer to Capital Projects Fund	(778,000)	(778,000)	(778,000)	-
Transfer to Grants Fund	(72,048)	(127,815)	(98,543)	29,272
Appropriated fund balance	<u>2,705,364</u>	<u>7,416,276</u>	<u>-</u>	<u>(7,416,276)</u>
Total other financing sources (uses)	<u>1,645,980</u>	<u>6,422,819</u>	<u>827,457</u>	<u>(5,595,362)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	4,919,732	<u>\$ 4,919,732</u>
FUND BALANCE, BEGINNING			<u>27,824,048</u>	
FUND BALANCE, ENDING			<u>\$ 32,743,780</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes - current year	\$ 6,520,000	\$ 6,520,000	\$ 6,383,321	\$ (136,679)
Ad valorem taxes - prior years	-	-	21,770	21,770
Intergovernmental revenues:				
Federal government	169,200	169,200	169,640	440
Interest on investments	4,000	4,000	16,441	12,441
	<u>6,693,200</u>	<u>6,693,200</u>	<u>6,591,172</u>	<u>(102,028)</u>
Total revenues				
EXPENDITURES				
Debt service:				
Principal	4,330,000	4,330,000	4,330,000	-
Interest and fiscal charges	2,084,393	2,084,393	2,007,653	76,740
	<u>6,414,393</u>	<u>6,414,393</u>	<u>6,337,653</u>	<u>76,740</u>
Total expenditures				
EXCESS OF REVENUES OVER EXPENDITURES	278,807	278,807	253,519	(25,288)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds	909,582	909,582	909,581	(1)
Contribution to reserve	(1,188,389)	(1,188,389)	-	1,188,389
	<u>(278,807)</u>	<u>(278,807)</u>	<u>909,581</u>	<u>1,188,388</u>
Total other financing sources (uses)				
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ -	1,163,100	\$ 1,163,100
FUND BALANCES, BEGINNING			5,452,410	
FUND BALANCES, ENDING			<u>\$ 6,615,510</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, 2016**

	Project		Actual	
	Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Interest on investments	\$ 3,014,918	\$ 3,051,303	\$ 5,862	\$ 3,057,165
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	4,124,853	1,178,498	289,036	1,467,534
U.S. DOE SEEA Grant	907,041	777,672	-	777,672
Other Federal Grants	934,360	928,296	(8,470)	919,826
North Carolina Clean Water Grant	200,000	200,000	-	200,000
North Carolina Department of Transportation Grants	1,952,053	1,657,806	82,119	1,739,925
Parks and Recreation Trust Fund	500,000	500,000	-	500,000
Other State Grants	436,971	86,971	-	86,971
Orange County parks bonds	8,482,520	8,482,520	-	8,482,520
Other Grants	1,258,939	1,192,148	509	1,192,657
Charges for services	268,005	268,005	-	268,005
Donations	813,993	813,928	-	813,928
Revenue in lieu	175,692	182,697	1,956	184,653
Other	2,295,040	2,298,257	-	2,298,257
Total revenues	27,316,391	23,397,329	371,012	23,768,341
EXPENDITURES				
Parks, recreation, library and open space capital improvements	54,654,590	49,712,557	1,328,027	51,040,584
Public safety capital improvements	2,861,602	2,331,602	502,490	2,834,092
Public works facility	31,083,380	30,889,487	29,700	30,919,187
Public safety facility	1,692,474	-	91,056	91,056
Municipal facilities	11,847,794	8,778,852	1,250,357	10,029,209
Sewer capital improvements	1,456,853	396,729	-	396,729
Software development	300,000	274,798	-	274,798
Street and sidewalk improvements	21,564,669	10,191,110	1,466,776	11,657,886
Total expenditures	125,461,362	102,575,135	4,668,406	107,243,541
DEFICIENCY OF REVENUES OVER EXPENDITURES	(98,144,971)	(79,177,806)	(4,297,394)	(83,475,200)

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, 2016**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	52,066,501	52,071,876	-	52,071,876
Proceeds from financing	37,112,533	32,256,733	4,841,497	37,098,230
Transfer from General Fund	6,546,377	4,503,071	500,000	5,003,071
Transfer from Capital Projects Fund	1,745,233	733,889	308,206	1,042,095
Transfer from Capital Reserve Fund	154,385	154,385	-	154,385
Transfer from Library Gift Fund	454,475	454,475	-	454,475
Transfer from Stormwater Fund	127,314	122,815	-	122,815
Transfer to Capital Projects Fund	(84,928)	(84,928)	-	(84,928)
Appropriated fund balance	23,081	-	-	-
Total other financing sources (uses)	<u>98,144,971</u>	<u>90,212,316</u>	<u>5,649,703</u>	<u>95,862,019</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 11,034,510</u>	1,352,309	<u>\$ 12,386,819</u>
FUND BALANCE, BEGINNING			<u>11,034,510</u>	
FUND BALANCE, ENDING			<u>\$ 12,386,819</u>	

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal government	\$ -	\$ 165,603	\$ 76,083	\$ (89,520)
Interest on investments	1,000	1,000	3,432	2,432
Franchise rental fees	60,000	60,000	70,081	10,081
Program income	14,856	14,856	22,238	7,382
Revenue in lieu	-	64,382	-	(64,382)
	<u>75,856</u>	<u>305,841</u>	<u>171,834</u>	<u>(134,007)</u>
EXPENDITURES				
Capital projects:				
Municipal facilities	234,856	1,668,392	250,795	1,417,597
Street improvements and sidewalks	130,000	213,750	106,319	107,431
Parks, recreation and open space	340,000	846,877	705,501	141,376
Technology and communications	149,000	972,801	925,524	47,277
Public safety	-	1,137,093	636,424	500,669
	<u>853,856</u>	<u>4,838,913</u>	<u>2,624,563</u>	<u>2,214,350</u>
DEFICIENCY OF REVENUES				
OVER EXPENDITURES	<u>(778,000)</u>	<u>(4,533,072)</u>	<u>(2,452,729)</u>	<u>2,080,343</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	3,151,200	3,142,503	(8,697)
Transfer from General Fund	778,000	778,000	778,000	-
Transfer to General Fund	-	(2,200,000)	(2,200,000)	-
Transfer to Capital Projects Ordinance Fund	-	(998,156)	(308,206)	689,950
Appropriated fund balance	-	3,802,028	-	(3,802,028)
	<u>778,000</u>	<u>4,533,072</u>	<u>1,412,297</u>	<u>(3,120,775)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,040,432)</u>	<u>\$ (1,040,432)</u>
FUND BALANCE, BEGINNING			<u>3,838,977</u>	
FUND BALANCE, ENDING			<u>\$ 2,798,545</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CAPITAL RESERVE FUND
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 240	\$ 240	\$ 230	\$ (10)
Total revenues	<u>240</u>	<u>240</u>	<u>230</u>	<u>(10)</u>
EXPENDITURES				
Environment and development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>240</u>	<u>240</u>	<u>230</u>	<u>(10)</u>
OTHER FINANCING USES				
Contribution to reserve	<u>(240)</u>	<u>(240)</u>	<u>-</u>	<u>240</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	230	<u>\$ 230</u>
FUND BALANCE, BEGINNING			<u>214,996</u>	
FUND BALANCE, ENDING			<u>\$ 215,226</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
TRANSIT GRANT PROJECTS ORDINANCE FUND
FROM GRANT INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
Intergovernmental revenue				
Federal government	\$ 3,054,916	\$ 2,255,584	\$ 155,213	\$ 2,410,797
State government	274,531	120,293	-	120,293
Other	260,606	232,630	2,729	235,359
	<u>3,590,053</u>	<u>2,608,507</u>	<u>157,942</u>	<u>2,766,449</u>
EXPENDITURES				
Bus purchases	1,319,746	740,450	-	740,450
Equipment and improvements	960,421	770,029	117,758	887,787
Administration	1,803,620	1,546,169	79,359	1,625,528
	<u>4,083,787</u>	<u>3,056,648</u>	<u>197,117</u>	<u>3,253,765</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(493,734)</u>	<u>(448,141)</u>	<u>(39,175)</u>	<u>(487,316)</u>
OTHER FINANCING SOURCES				
Transfer from other funds	493,734	448,141	39,175	487,316
	<u>493,734</u>	<u>448,141</u>	<u>39,175</u>	<u>487,316</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, 2016**

	Project Authorization	Actual		Total to Date
		Prior Year	Current Year	
REVENUES				
Intergovernmental revenues				
Capital Grant 2012	\$ 448,270	\$ 447,731	\$ 539	\$ 448,270
Capital Grant 2013	444,974	133,002	119,971	252,973
Capital Grant 2014	449,057	-	49,754	49,754
Capital Grant 2015	454,460	-	23,829	23,829
Total federal government	1,796,761	580,733	194,093	774,826
Other revenues	36,386	36,387	1,289	37,676
Total revenues	1,833,147	617,120	195,382	812,502
EXPENDITURES				
Environment and development	1,833,147	603,333	195,667	799,000
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 13,787	(285)	\$ 13,502
FUND BALANCE, BEGINNING			13,787	
FUND BALANCE, ENDING			\$ 13,502	

**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, 2016**

	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	406,248	-	406,248
Block Grant 14	403,505	324,698	78,807	403,505
Block Grant 15	404,761	-	154,509	154,509
Program income	266,518	266,520	7,339	273,859
Total revenues	<u>7,953,951</u>	<u>7,470,385</u>	<u>240,655</u>	<u>7,711,040</u>
EXPENDITURES				
Public improvement	2,275,153	1,990,110	12,223	2,002,333
Neighborhood revitalization	3,416,612	3,266,351	113,847	3,380,198
Homeownership opportunities	17,000	17,000	-	17,000
Administration	1,329,693	1,245,800	57,955	1,303,755
Community services	915,493	837,288	56,630	893,918
Total expenditures	<u>7,953,951</u>	<u>7,356,549</u>	<u>240,655</u>	<u>7,597,204</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, 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Interest on investments	\$ 44,740	\$ 46,069	\$ 548	\$ 46,617
Program income	650,799	650,800	-	650,800
Revenue in lieu	1,780,960	1,780,960	-	1,780,960
Total revenues	<u>2,476,499</u>	<u>2,477,829</u>	<u>548</u>	<u>2,478,377</u>
EXPENDITURES				
Environment and development	<u>2,632,277</u>	<u>2,075,602</u>	<u>125,835</u>	<u>2,201,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(155,778)</u>	<u>402,227</u>	<u>(125,287)</u>	<u>276,940</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>\$ 558,006</u>	<u>(125,287)</u>	<u>\$ 432,719</u>
FUND BALANCE, BEGINNING			<u>558,006</u>	
FUND BALANCE, ENDING			<u>\$ 432,719</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, 2016**

	Project Authorization	Prior Year	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 285,117	\$ 165,776	\$ -	\$ 165,776
Other	75,000	75,000	-	75,000
Interest on investments	762	621	32	653
Program income	98,740	92,831	11,349	104,180
Other	-	300	-	300
	459,619	334,528	11,381	345,909
EXPENDITURES				
Environment and development	477,119	340,556	5,502	346,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(17,500)	(6,028)	5,879	(149)
OTHER FINANCING SOURCES				
Transfer from other funds	17,500	17,500	-	17,500
NET CHANGE IN TOTAL FUND BALANCE	\$ -	\$ 11,472	5,879	\$ 17,351
FUND BALANCE, BEGINNING			11,472	
FUND BALANCE, ENDING			\$ 17,351	

**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, 2016**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Intergovernmental revenues				
Federal government	\$ 231,250	\$ 230,658	\$ -	\$ 230,658
Interest on investments	-	1,823	32	1,855
Program income	-	249,390	-	249,390
	<u>231,250</u>	<u>481,871</u>	<u>32</u>	<u>481,903</u>
Total revenues				
	<u>231,250</u>	<u>481,871</u>	<u>32</u>	<u>481,903</u>
EXPENDITURES				
Environment and development	<u>231,250</u>	<u>434,873</u>	<u>-</u>	<u>434,873</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ 46,998</u>	<u>32</u>	<u>\$ 47,030</u>
FUND BALANCE, BEGINNING			<u>46,998</u>	
FUND BALANCE, ENDING			<u>\$ 47,030</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GRANTS FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	\$ 250,458	\$ 394,672	\$ 288,244	\$ (106,428)
State government	17,011	17,011	14,247	(2,764)
Other	8,333	158,263	24,483	(133,780)
Total revenues	<u>275,802</u>	<u>569,946</u>	<u>326,974</u>	<u>(242,972)</u>
EXPENDITURES				
Environment and development	347,850	479,850	364,766	115,084
Public safety	-	243,440	52,066	191,374
Total expenditures	<u>347,850</u>	<u>723,290</u>	<u>416,832</u>	<u>306,458</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(72,048)</u>	<u>(153,344)</u>	<u>(89,858)</u>	<u>63,486</u>
OTHER FINANCING SOURCES				
Transfers from General Fund	72,048	127,815	98,543	(29,272)
Appropriated fund balance	-	25,529	-	(25,529)
Total other financing sources	<u>72,048</u>	<u>153,344</u>	<u>98,543</u>	<u>(54,801)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	8,685	<u>\$ 8,685</u>
FUND BALANCE, BEGINNING			<u>39,125</u>	
FUND BALANCE, ENDING			<u>\$ 47,810</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DOWNTOWN SERVICE DISTRICT FUND
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 272,000	\$ 272,000	\$ 287,939	\$ 15,939
Intergovernmental revenues - other	40,000	40,000	-	(40,000)
Interest on investments	-	-	110	110
Other	1,291	1,291	1,310	19
Total revenues	<u>313,291</u>	<u>313,291</u>	<u>289,359</u>	<u>(23,932)</u>
EXPENDITURES				
Environment and development	<u>348,528</u>	<u>348,528</u>	<u>336,529</u>	<u>11,999</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(35,237)</u>	<u>(35,237)</u>	<u>(47,170)</u>	<u>(11,933)</u>
OTHER FINANCING SOURCES				
Appropriated fund balance	<u>35,237</u>	<u>35,237</u>	<u>-</u>	<u>(35,237)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(47,170)</u>	<u>\$ (47,170)</u>
FUND BALANCE, BEGINNING			<u>143,389</u>	
FUND BALANCE, ENDING			<u>\$ 96,219</u>	

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - LIBRARY GIFT FUND
 YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal government	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest on investments	-	-	115	115
Library donations	<u>331,119</u>	<u>331,119</u>	<u>336,150</u>	<u>5,031</u>
Total revenues	<u>431,119</u>	<u>431,119</u>	<u>436,265</u>	<u>5,146</u>
EXPENDITURES				
Leisure activities	<u>486,119</u>	<u>513,358</u>	<u>485,863</u>	<u>27,495</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(55,000)</u>	<u>(82,239)</u>	<u>(49,598)</u>	<u>32,641</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(45,000)	(45,000)	(45,000)	-
Appropriated fund balance	<u>100,000</u>	<u>127,239</u>	<u>-</u>	<u>(127,239)</u>
Total other financing sources (uses)	<u>55,000</u>	<u>82,239</u>	<u>(45,000)</u>	<u>(127,239)</u>
NET CHANGE IN TOTAL FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(94,598)</u>	<u>\$ (94,598)</u>
FUND BALANCE, BEGINNING			<u>252,131</u>	
FUND BALANCE, ENDING			<u>\$ 157,533</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services:				
Tarheel Express	\$ 390,445	\$ 390,445	\$ 324,160	\$ (66,285)
Bus advertising	163,132	163,132	131,412	(31,720)
Other	421,040	421,040	513,698	92,658
Total charges for services	<u>974,617</u>	<u>974,617</u>	<u>969,270</u>	<u>(5,347)</u>
OPERATING EXPENSES				
Personnel	12,514,610	13,584,648	11,294,546	2,290,102
Fuel and tires	1,860,365	1,590,892	1,495,534	95,358
Indirect costs	1,195,794	1,195,794	1,069,350	126,444
Building maintenance	743,604	1,074,469	645,985	428,484
Vehicle maintenance	1,951,524	2,080,363	1,673,024	407,339
Insurance	421,621	421,621	308,204	113,417
Advertising and marketing	155,917	135,017	91,971	43,046
Tarheel Express	293,375	293,875	216,681	77,194
Uniforms and supplies	155,014	143,893	100,853	43,040
Contracted services	371,947	628,564	517,008	111,556
Other	311,244	493,820	309,008	184,812
Total operating expenses	<u>19,975,015</u>	<u>21,642,956</u>	<u>17,722,164</u>	<u>3,920,792</u>
OPERATING LOSS	<u>(19,000,398)</u>	<u>(20,668,339)</u>	<u>(16,752,894)</u>	<u>3,915,445</u>
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,944,719	2,308,832	307,016	(2,001,816)
State Operating Assistance Grant	2,062,996	2,996,767	2,996,737	(30)
Local Operating Assistance Grant	12,000	12,000	-	(12,000)
Operating assistance-UNC Chapel Hill	7,844,040	7,844,040	7,919,040	75,000
Operating assistance-Town of Carrboro	1,540,288	1,540,288	1,540,288	-
Operating assistance - TTA Vehicle Fees	1,678,000	1,678,000	277,771	(1,400,229)
Vehicle licenses	454,738	454,738	444,595	(10,143)
Ad valorem taxes	3,923,610	3,923,610	3,842,964	(80,646)
Interest on investments	4,000	4,000	14,247	10,247
Insurance recovery	49,371	49,371	36,018	(13,353)
Capital outlay	-	(339,157)	(400,440)	(61,283)
Proceeds from sale of capital assets	12,300	12,300	40,891	28,591
Contribution to reserve	(800,000)	(1,200,000)	-	1,200,000
Revenue in lieu	26,500	26,500	33,800	7,300
Appropriated fund balance	<u>198,339</u>	<u>1,258,535</u>	<u>-</u>	<u>(1,258,535)</u>
Total nonoperating revenues (expenses), net	<u>18,950,901</u>	<u>20,569,824</u>	<u>17,052,927</u>	<u>(3,516,897)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(49,497)</u>	<u>(98,515)</u>	<u>300,033</u>	<u>398,548</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - TRANSIT FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
TRANSFERS				
Transfers in	247,836	247,836	-	(247,836)
Transfers out	<u>(198,339)</u>	<u>(149,321)</u>	<u>(39,175)</u>	<u>110,146</u>
Total transfers	<u>49,497</u>	<u>98,515</u>	<u>(39,175)</u>	<u>(137,690)</u>
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	<u>\$ -</u>	<u>\$ -</u>	260,858	<u>\$ 260,858</u>
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(9,236)	
Accrued OPEB liability			(1,144,086)	
Pension Expense			258,962	
Capital outlay			400,440	
Depreciation and amortization			<u>(3,647,657)</u>	
Change in net position			<u>\$ (3,880,719)</u>	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - PARKING FACILITIES FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,638,720	\$ 2,638,720	\$ 2,597,035	\$ (41,685)
OPERATING EXPENSES				
Personnel	873,205	881,503	841,993	39,510
Maintenance and repairs	97,238	79,540	29,391	50,149
Credit card fees	112,100	112,100	97,470	14,630
Lot rent	239,580	240,480	249,143	(8,663)
Indirect costs	82,485	82,485	85,860	(3,375)
Contracted services	70,700	81,094	66,097	14,997
Other	256,982	263,831	210,417	53,414
Total operating expenses	1,732,290	1,741,033	1,580,371	160,662
OPERATING INCOME	906,430	897,687	1,016,664	118,977
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	1,750	1,750	1,283	(467)
Insurance recovery	5,000	5,000	1,925	(3,075)
Capital outlay	-	(136,819)	-	136,819
Appropriated fund balance	(3,598)	106,964	-	(106,964)
Total nonoperating revenues (expenses), net	3,152	(23,105)	3,208	26,313
INCOME BEFORE TRANSFERS	909,582	874,582	1,019,872	145,290
TRANSFERS				
Transfers in	-	35,000	35,000	-
Transfers out	(909,582)	(909,582)	(909,581)	1
Total transfers	(909,582)	(874,582)	(874,581)	1
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	145,291	\$ 145,291
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(1,968)	
Accrued OPEB liability			(64,766)	
Pension expense			10,358	
Depreciation and amortization			(71,431)	
Change in net position			\$ 17,484	

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -
(MODIFIED ACCRUAL BASIS) - HOUSING OPERATING FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 830,406	\$ 830,406	\$ 940,223	\$ 109,817
OPERATING EXPENSES				
Personnel	1,110,863	1,105,778	1,032,628	73,150
Maintenance and repairs	501,970	662,509	542,980	119,529
Utilities	169,200	169,200	171,405	(2,205)
Other	221,288	252,252	201,957	50,295
Total operating expenses	2,003,321	2,189,739	1,948,970	240,769
OPERATING LOSS	(1,172,915)	(1,359,333)	(1,008,747)	350,586
NONOPERATING REVENUES (EXPENSES)				
Federal Operating Assistance Grant	1,153,556	1,153,556	1,169,986	16,430
Interest on investments	1,950	1,950	1,464	(486)
Capital outlay	(88,500)	(734,380)	(475,282)	259,098
Appropriated fund balance	105,909	938,207	-	(938,207)
Total nonoperating revenues	1,172,915	1,359,333	696,168	(663,165)
LOSS BEFORE CAPITAL CONTRIBUTIONS	-	-	(312,579)	(312,579)
CAPITAL CONTRIBUTIONS	-	-	59,118	59,118
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(253,461)	\$ (253,461)
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			20,786	
Accrued OPEB liability			(86,410)	
Pension Expense			20,717	
Capital outlay			475,282	
Depreciation and amortization			(622,357)	
Change in net position			\$ (445,443)	

PUBLIC HOUSING FINANCIAL DATA SCHEDULE

Schedule 27

Line Item #	Account Description	Low Rent 14.850	CGP 14.859	TOTAL
ASSETS:				
CURRENT ASSETS:				
111	Cash - unrestricted	\$ 2,977,166	\$ -	2,977,166
113	Cash - other restricted	-	16,003	16,003
114	Cash - tenant security deposits	83,459	-	83,459
100	Total cash	3,060,625	16,003	3,076,628
124	Accounts receivable - Other Governmental	-	22,197	22,197
126	Accounts receivable - Tenants dwelling rents	17,995	-	17,995
126.1	Allowance for doubtful accounts - Tenants dwelling rents	(7,412)	-	(7,412)
120	Total receivables, net allowances for uncollectibles	10,583	22,197	32,780
143	Inventories	83,958	-	83,958
143.1	Allowance for Obsolete Inventories	(1,461)	-	(1,461)
	Total inventories	82,497	-	82,497
150	TOTAL CURRENT ASSETS	3,153,705	38,200	3,191,905
NONCURRENT ASSETS:				
Capital assets:				
161	Land	2,038,178	-	2,038,178
162	Building	23,164,024	-	23,164,024
164	Furniture, Equipment, & Machinery -Administration	713,045	-	713,045
	Accumulated depreciation	(15,904,317)	-	(15,904,317)
166	Construction in progress	272,264	-	272,264
160	Total capital assets, net of accumulated depreciation	10,283,194	-	10,283,194
180	TOTAL NONCURRENT ASSETS	10,283,194	-	10,283,194
190	TOTAL ASSETS	13,436,899	38,200	13,475,099
DEFERRED OUTFLOWS OF RESOURCES:				
200	Contributions to pension plan	48,926	-	48,926
290	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 13,485,825	\$ 38,200	\$ 13,524,025
LIABILITIES:				
CURRENT LIABILITIES:				
312	Accounts payable ≤ 90 days	\$ 114,069	\$ 24,698	\$ 138,767
321	Accrued wage/payroll taxes payable	22,759	-	22,759
322	Accrued compensated absences - current portion	50,316	-	50,316
341	Tenant security deposits	84,144	-	84,144
310	TOTAL CURRENT LIABILITIES	271,288	24,698	295,986
357	Accrued pension and OPEB liabilities	748,285	-	748,285
350	TOTAL NON-CURRENT LIABILITIES	748,285	-	748,285
300	TOTAL LIABILITIES	1,019,573	24,698	1,044,271
DEFERRED INFLOWS OF RESOURCES:				
400	Pension deferrals	26,844	-	26,844
EQUITY:				
508	Investment in general capital assets	10,283,194	-	10,283,194
509	Restricted fund balance	-	13,502	13,502
512	Undesignated fund balance/retained earnings	2,156,214	-	2,156,214
513	TOTAL EQUITY	12,439,408	13,502	12,452,910
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 13,485,825	\$ 38,200	\$ 13,524,025

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	\$ 939,897	\$ -	\$ 939,897
705	Total tenant revenue	939,897	-	939,897
Other revenues:				
706	HUD PHA grants	1,169,986	-	1,169,986
706.1	Capital Grants	-	194,093	194,093
711	Investment income - unrestricted	1,464	-	1,464
715	Other revenue	326	1,289	1,615
	Total other revenue	1,171,776	195,382	1,367,158
700	TOTAL REVENUE	2,111,673	195,382	2,307,055
EXPENSES:				
OPERATING EXPENSES:				
Administrative:				
911	Administrative salaries	335,160	28,751	363,911
915	Employee benefit contributions - administrative	195,356	-	195,356
919	Other operating - administrative	2,828	10,096	12,924
Tenant services:				
924	Tenant services-other	2,717	-	2,717
Utilities:				
931	Water	132,880	-	132,880
932	Electricity	34,787	-	34,787
933	Gas	3,738	-	3,738
Ordinary maintenance & operations:				
941	Ordinary maintenance and operations - labor	404,326	-	404,326
942	Ordinary maintenance and operations - materials	323,877	-	323,877
943	Ordinary maintenance and operations - contract costs	206,112	-	206,112
945	Employee benefit contributions - ordinary maintenance	163,479	-	163,479
General expenses:				
961	Insurance premiums	81,150	-	81,150
962	Other general expenses	80,759	-	80,759
962.1	Compensated Absences	(20,786)	-	(20,786)
964	Bad debt - tenant rents	14,005	-	14,005
969	TOTAL OPERATING EXPENSES	1,960,388	38,847	1,999,235
970	EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES	151,285	156,535	307,820
NON-OPERATING EXPENSES:				
971	Extraordinary maintenance	33,489	156,820	190,309
974	Depreciation Expense	622,357	-	622,357
900	TOTAL EXPENSES	2,616,234	195,667	2,811,901
1000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(504,561)	(285)	(504,846)
1104	Capital Outlays Enterprise Fund	59,118	-	59,118
	CHANGE IN NET POSITION	(445,443)	(285)	(445,728)
1103	BEGINNING EQUITY	12,884,851	13,787	12,898,638
	ENDING EQUITY	\$ 12,439,408	\$ 13,502	\$ 12,452,910

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) - STORMWATER MANAGEMENT FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 2,214,257	\$ 2,214,257	\$ 2,181,361	\$ (32,896)
OPERATING EXPENSES				
Personnel	1,178,320	1,044,632	974,936	69,696
Drainage maintenance	288,458	254,145	179,761	74,384
Indirect costs	113,907	113,907	97,581	16,326
Professional services	424,000	671,183	463,822	207,361
Contracted services	127,200	175,236	103,006	72,230
Office rent	57,156	57,156	56,969	187
Other	76,847	183,324	91,939	91,385
Total operating expenses	2,265,888	2,499,583	1,968,014	531,569
OPERATING INCOME (LOSS)	(51,631)	(285,326)	213,347	498,673
NONOPERATING REVENUES (EXPENSES)				
Operating assistance - Town of Carrboro	7,500	7,500	7,500	-
Interest on investments	800	800	2,818	2,018
Capital outlay	(97,500)	(1,344,844)	(51,427)	1,293,417
Appropriated fund balance	134,831	1,615,870	-	(1,615,870)
Total nonoperating revenues (expenses), net	45,631	279,326	(41,109)	(320,435)
INCOME (LOSS) BEFORE TRANSFERS	(6,000)	(6,000)	172,238	178,238
TRANSFERS				
Transfers In	6,000	6,000	6,000	-
EXCESS OF REVENUES OVER EXPENSES AND TRANSFERS	\$ -	\$ -	178,238	\$ 178,238
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			5,697	
Accrued OPEB liability			(94,111)	
Pension Expense			10,358	
Capital outlay			51,427	
Depreciation and amortization			(67,492)	
Change in net position			\$ 84,117	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2016**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,473,000	\$ 1,473,000	\$ 1,473,000	\$ -
OPERATING EXPENSES				
Operations	10,000	10,000	7,080	2,920
OPERATING INCOME	1,463,000	1,463,000	1,465,920	2,920
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	2,000	2,000	4,763	2,763
Capital outlay	(1,307,000)	(1,512,095)	(872,768)	639,327
Debt service	(906,833)	(906,833)	(906,833)	-
Proceeds from sale of capital assets	50,000	50,000	43,136	(6,864)
Appropriated fund balance	698,833	903,928	-	(903,928)
Total nonoperating revenues (expenses), net	(1,463,000)	(1,463,000)	(1,731,702)	(268,702)
DEFICIENCY OF REVENUES OVER EXPENSES	\$ -	\$ -	(265,782)	\$ (265,782)
Reconciliation of modified accrual basis to full accrual basis:				
Depreciation and amortization			(1,163,253)	
Capital outlay			872,768	
Debt service principal			848,013	
Change in net position			\$ 291,746	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - VEHICLE MAINTENANCE FUND
YEAR ENDED JUNE 30, 2016**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 1,388,600	\$ 1,388,600	\$ 1,315,133	\$ (73,467)
OPERATING EXPENSES				
Personnel	563,469	563,469	532,394	31,075
Operations	835,646	862,939	796,588	66,351
Total operating expenses	1,399,115	1,426,408	1,328,982	97,426
OPERATING LOSS	(10,515)	(37,808)	(13,849)	23,959
NONOPERATING REVENUES (EXPENSES)				
Insurance recovery	20,000	20,000	19,247	(753)
Interest on investments	-	-	562	562
Capital outlay	-	(48,811)	-	48,811
Appropriated fund balance	(9,485)	66,619	-	(66,619)
Total nonoperating revenues (expenses), net	10,515	37,808	19,809	(17,999)
EXCESS OF REVENUES OVER EXPENSES	\$ -	\$ -	5,960	\$ 5,960
Reconciliation of modified accrual basis to full accrual basis:				
Accrued vacation payable			(10,538)	
Accrued OPEB liability			(49,430)	
Pension Expense			10,358	
Change in net position			\$ (43,650)	

**SCHEDULE OF REVENUES AND EXPENDITURES - FINANCIAL PLAN
(MODIFIED ACCRUAL BASIS) - COMPUTER EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2016**

	Financial Plan		Actual	Variance - Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Charges for services	\$ 176,000	\$ 176,000	\$ 176,000	\$ -
OPERATING EXPENSES				
Operations	176,000	176,000	173,413	2,587
OPERATING INCOME	-	-	2,587	2,587
NONOPERATING REVENUES				
Interest on investments	-	-	575	575
Proceeds from sale of capital assets	-	-	111	111
Total nonoperating revenues	-	-	686	686
Change in net position	\$ -	\$ -	\$ 3,273	\$ 3,273

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TOWN OF CHAPEL HILL, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

Fiscal Year	Uncollected Balance 07/01/15	Additions	Collections and Credits	Uncollected Balance 06/30/16
2015-2016	\$ -	\$ 39,789,825	a \$ 39,638,269	b \$ 151,556
2014-2015	159,250	-	88,503	70,747
2013-2014	96,181	-	30,310	65,871
2013-prior	284,084	-	32,388	251,696
Totals	<u>\$ 539,515</u>		<u>\$ 39,789,470</u>	539,870
				<u>378,028</u>
				<u>\$ 161,842</u>
Reconciliation with revenues:				
				\$ 29,329,695
Ad Valorem taxes - General Fund				6,405,091
Ad Valorem taxes - Debt Fund				3,842,964
Ad Valorem taxes - Transit Fund				287,939
Ad Valorem taxes - Downtown				<u>\$ 39,865,689</u>
Ad Valorem taxes				
Reconciling item				
Taxes written off				3,694
Interest collected				(78,706)
Interest on state held taxes				<u>(1,207)</u>
Total collections and credits				<u>\$ 39,789,470</u>

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

TOWN OF CHAPEL HILL, NORTH CAROLINA
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2016

	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	\$ 7,594,665,291	0.524	\$ 39,789,825	\$ 36,464,075	\$ 3,325,750
Motor vehicles at prior year's rate	-	0.524	\$ -	-	-
Total property valuation	\$ 7,594,665,291		\$ 39,789,825 a	\$ 36,464,075	\$ 3,325,750
Uncollected taxes at June 30, 2016			151,556 c	138,304	13,252
Current year's taxes collected			\$ 39,638,269 b	\$ 36,325,771	\$ 3,312,498
Current levy collection percentage			99.62%	99.62%	99.60%

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 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	\$ 67,839,566
Restricted	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	29,926,167
Unrestricted	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)	(2,201,236)
Total governmental activities net position	\$ 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	\$ 95,564,497
Business-type activities										
Net investment in capital assets	\$ 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	\$ 43,422,690
Unrestricted	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	8,298,160
Total business-type activities net position	\$ 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	\$ 51,720,850
Primary government										
Net investment in capital assets	\$ 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	\$ 111,262,256
Restricted	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	29,926,167
Unrestricted	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	6,096,924
Total primary government net position	\$ 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	\$ 147,285,347
Component unit										
Net investment in capital assets	\$ 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	\$ 224,969,584
Restricted	9,405,757	1,322,469	1,232,718	1,253,614	98,616	98,616	151,600	187,910	222,470	260,978
Unrestricted	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	29,327,642
Total component unit net position	\$ 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	\$ 254,558,204

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Expenses										
General government	\$ 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	\$ 11,336,963
Environment and development	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	21,105,842
Public safety	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	21,565,795
Leisure activities	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	12,324,889
Nondepartmental	-	-	-	-	-	-	-	-	-	-
Interest	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	2,007,653
Total expenses	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	68,341,142
Program Revenues										
Charges for services:										
General government	\$ 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	\$ 1,703,045
Environment and development	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	3,249,840
Public safety	76,287	99,946	110,137	130,338	117,747	93,583	100,112	368,938	413,873	477,315
Leisure activities	642,478	587,957	786,346	905,626	952,478	952,023	1,031,436	1,044,868	1,045,413	1,078,897
Operating grants and contributions:										
General government	-	-	-	-	63,536	-	-	-	-	-
Environment and development	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	2,029,052
Public safety	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	1,159,227
Leisure activities	291,129	377,861	384,824	375,738	372,786	462,978	531,466	595,494	711,614	782,546
Capital grants and contributions:										
Environment and development	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	790,803
Leisure activities	-	-	-	-	85,677	182,506	182,507	797,386	476,120	170,149
Total program revenues	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	11,440,874
Total governmental activities net program expense	\$ (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)	\$ (56,900,268)
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 36,022,725
Sales tax	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	12,040,383
Occupancy tax	991,081	985,069	891,857	806,686	872,115	956,496	981,716	1,044,856	1,100,478	1,202,806
Other taxes	368,073	141,157	112,700	41,173	51,708	56,452	58,492	59,698	65,384	74,988
Grants and contributions not restricted										
Investment earnings	1,670,377	1,112,630	261,025	88,220	71,324	34,258	91,575	34,491	39,476	56,872
Miscellaneous	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	1,381,867
Transfers	2,619,973	230,155	944,494	366,331	226,775	1,480,055	728,692	1,200,050	946,753	907,756
Total general revenues and other changes in net position	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	57,122,931
Total governmental activities changes in net position	\$ 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	\$ 222,663

Continued

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

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Expenses										
Transportation	\$ 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	\$ 22,264,181
Parking	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	1,708,178
Housing	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	2,616,234
Stormwater	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	2,113,562
Total expenses	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	28,702,155
Program Revenues										
Charges for services:										
Transportation	\$ 694,445	\$ 612,907	\$ 735,142	\$ 1,129,028	\$ 1,096,432	\$ 1,359,239	\$ 1,354,987	\$ 1,565,824	\$ 1,499,429	\$ 1,413,865
Parking	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	2,597,035
Housing	417,725	453,821	415,568	402,701	507,305	618,132	800,165	882,363	910,630	940,223
Stormwater	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	2,181,361
Operating grants and contributions:										
Transportation	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	13,048,352
Housing	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	1,169,986
Stormwater	-	-	15,295	-	-	-	-	-	-	-
Capital grants and contributions:										
Transportation	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	-	59,118
Total program revenues	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	21,409,940
Total business-type activities net program expense	\$ 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)	\$ (7,292,215)
General revenues and other changes in net position										
Property taxes	\$ 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	\$ 3,842,964
Investment earnings	426,554	270,583	66,369	36,054	25,411	8,709	10,765	15,644	18,067	19,812
Miscellaneous	(6,567)	52,577	33,270	38,779	155,666	(204,093)	(930,194)	288,341	117,907	112,634
Transfers	(2,619,973)	(230,155)	(944,494)	(366,331)	(226,775)	(1,480,055)	(728,692)	(1,200,050)	(946,753)	(907,756)
Total general revenues and other changes in net position	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	3,067,654
Total business-type activities changes in net position	\$ 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)	\$ (4,224,561)
Total primary government changes in net position	\$ 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	\$ (4,001,898)

Continued

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

Table 2

	Fiscal Year									
	<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>	<u>2016</u>
Component unit activities:										
Expenses	\$ 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	\$ 30,740,470
Program Revenues										
Charges for services	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	36,369,370
Capital grants and contributions	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	1,846,475
Total component unit revenues	<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>	<u>38,215,845</u>
Total component unit net (expense)/revenue	<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>	<u>\$ 7,475,375</u>
General revenues and other changes in net position										
Investment earnings	-	584,031	1,918,195	17,964	29,261	17,964	15,664	14,755	15,133	20,663
Miscellaneous	-	1,998,280	-	1,918,195	1,785,093	1,918,195	1,885,640	1,200,778	1,429,244	1,518,433
Total general revenues and other changes in net position	<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>	<u>1,539,096</u>
Total component unit activities changes in net position	<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>	<u>\$ 9,014,471</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 Seven Fiscal Years
post-GASB 54
(modified accrual basis of accounting)

Table 3a

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

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

Table 3b

	Fiscal Year		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund			
Reserved for:			
State statute	\$ 5,230,014	\$ 6,809,388	\$ 4,699,811
Encumbrances	1,272,671	1,524,640	1,079,576
Inventories	2,728	2,470	2,599
Capital improvements	231,128	353,915	364,815
Prepaid items	-	355,140	-
Other	323,997	332,888	321,798
Total reserved	<u>7,060,538</u>	<u>9,378,441</u>	<u>6,468,599</u>
Unreserved:			
Designated for subsequent year's expenditures	4,315,000	2,743,874	3,134,373
Undesignated	6,515,807	7,773,811	11,690,555
Total General Fund	<u>\$ 17,891,345</u>	<u>\$ 19,896,126</u>	<u>\$ 21,293,527</u>
All Other Governmental Funds			
Reserved for:			
Capital improvements	\$ 14,068,719	\$ 7,175,409	\$ 6,482,692
State Statute	2,058,864	272,580	325,537
Encumbrances	871,343	408,663	373,427
Inventories	-	16,538	16,538
Interest subsidies	129,523	-	-
Other	435,030	1,153,789	467,125
Debt service	641,042	-	1,043,175
Total reserved	<u>18,204,521</u>	<u>9,026,979</u>	<u>8,708,494</u>
Unreserved, reported in:			
Special revenue funds	39,047	608,640	381,005
Capital projects funds	(1,669,821)	1,978,767	2,190,234
Total all other governmental funds	<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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues				
Taxes	\$ 37,055,809	\$ 38,668,055	\$ 41,200,989	\$ 41,784,629
Intergovernmental	17,046,292	25,753,577	16,756,296	15,041,738
Charges for services	2,503,992	2,826,213	3,216,330	2,832,317
Licenses and permits	1,590,653	1,721,627	2,200,422	1,765,769
Interest	1,670,377	1,112,630	261,025	88,220
Other	1,654,137	2,426,785	1,400,511	1,304,865
Total Revenues	<u>61,521,260</u>	<u>72,508,887</u>	<u>65,035,573</u>	<u>62,817,538</u>
Expenditures				
General government	5,634,423	6,190,609	7,272,596	7,337,428
Environment and development	27,478,666	25,779,963	21,590,608	20,858,543
Public safety	17,666,485	18,567,074	18,686,914	19,082,389
Leisure activities	4,224,267	4,897,425	7,398,605	8,038,538
Capital projects	15,964,112	14,012,030	3,836,343	2,778,610
Debt Service:				
Principal	3,090,000	4,015,000	4,000,000	8,520,000
Interest	2,008,005	2,210,521	1,969,585	1,991,035
Advance refunding escrow	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>76,065,958</u>	<u>75,672,622</u>	<u>64,754,651</u>	<u>68,606,543</u>
Excess of revenues over (under) expenditures	<u>(14,544,698)</u>	<u>(3,163,735)</u>	<u>280,922</u>	<u>(5,789,005)</u>
Other Financing Sources (Uses)				
Transfers in	17,737	8,473,343	2,573,984	2,047,910
Transfers out	10,878,467	(8,264,188)	(1,792,158)	(1,548,465)
Proceeds from bonds	4,967,737	-	-	4,490,000
Advance refunding	-	-	-	-
Premium on debt	-	-	-	266,583
Proceeds from installment notes	3,100,000	-	-	-
Total other financing sources (uses)	<u>18,963,941</u>	<u>209,155</u>	<u>781,826</u>	<u>5,256,028</u>
Net change in fund balances	<u>\$ 4,419,243</u>	<u>\$ (2,954,580)</u>	<u>\$ 1,062,748</u>	<u>\$ (532,977)</u>
Debt service as a percentage of non capital expenditures	8.78%	10.02%	9.75%	16.17%

Table 4

Fiscal Year							
2011	2012	2013	2014	2015	2016		
\$ 42,477,404	\$ 43,862,452	\$ 44,395,971	\$ 46,529,226	\$ 48,227,231	\$ 49,340,902		
11,408,533	10,878,999	18,592,238	12,328,526	10,379,680	10,367,311		
3,189,110	2,892,632	3,133,935	3,435,270	3,475,157	3,632,627		
1,591,840	1,917,775	2,369,155	2,683,188	2,392,108	2,710,159		
71,324	34,258	91,575	34,491	39,476	56,872		
1,685,586	1,342,021	2,623,976	1,923,309	3,485,501	1,548,178		
60,423,797	60,928,137	71,206,850	66,934,010	67,999,153	67,656,049		
8,280,508	8,838,537	9,493,289	9,541,046	9,589,280	10,729,883		
13,970,608	13,666,918	14,398,580	14,745,265	15,340,737	15,762,311		
19,733,207	19,323,824	19,547,468	19,946,007	20,362,042	20,333,988		
8,051,450	8,094,096	8,719,780	8,449,100	8,772,826	9,556,022		
5,102,513	11,116,359	29,185,322	9,313,279	3,696,507	7,685,753		
3,485,000	4,490,000	4,995,000	4,904,000	4,594,000	4,330,000		
1,996,991	2,271,774	2,294,854	2,300,475	2,168,703	2,007,653		
-	-	344,867	-	-	-		
49,528	181,355	241,116	-	-	-		
60,669,805	67,982,863	89,220,276	69,199,172	64,524,095	70,405,610		
(246,008)	(7,054,726)	(18,013,426)	(2,265,162)	3,475,058	(2,749,561)		
2,157,492	2,237,579	3,348,562	3,744,153	3,989,863	4,878,505		
(1,930,717)	(758,199)	(2,619,870)	(2,544,103)	(3,043,110)	(3,970,749)		
20,941,878	33,455,000	1,700,000	-	-	-		
-	(26,499,557)	3,050,000	-	-	-		
-	4,683,695	(2,700,000)	-	-	-		
-	-	-	-	2,395,000	7,984,000		
21,168,653	13,118,518	2,778,692	1,200,050	3,341,753	8,891,756		
\$ 20,922,645	\$ 6,063,792	\$ (15,234,734)	\$ (1,065,112)	\$ 6,816,811	\$ 6,142,195		
9.72%	10.94%	10.25%	11.31%	10.94%	9.94%		

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

Table 5

<u>Fiscal Year</u>	<u>Property Tax</u> (1)	<u>Sales Tax</u>	<u>Occupancy Tax</u>	<u>Other Tax</u>	<u>Total</u>
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	35,617,280	11,444,089	1,100,478	65,384	48,227,231
2016	36,022,725	12,040,383	1,202,806	74,988	49,340,902

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
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
2016	*	*	6,968,173,754	541,047,846

* 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)
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%
85,443,691	7,594,665,291	0.524	7,654,369,372	99.22%

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

Year Taxes Payable	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Chapel Hill within Orange County:				*
<u>Town Direct Rates:</u>				
General Fund	0.474	0.474	0.423	0.360
Transit	0.048	0.048	0.048	0.041
Debt Service **	-	-	0.110	0.093
Total outside Downtown Service District	0.522	0.522	0.581	0.494
Downtown Service District	0.090	0.090	0.071	0.071
Total Direct Rates	0.612	0.612	0.652	0.565
 <u>Overlapping Rates:</u>				
Orange County	0.903	0.950	0.998	0.858
Chapel Hill - Carrboro School District	0.189	0.204	0.230	0.188
Total Overlapping Rates	1.092	1.154	1.228	1.046
 Total Direct and Overlapping Rates	1.704	1.766	1.880	1.611
 Chapel Hill within Durham County:				
<u>Town Direct Rates:</u>				
General Fund	0.474	0.474	0.423	0.360
Transit	0.048	0.048	0.048	0.041
Debt Service	-	-	0.110	0.093
Total Direct Rates	0.522	0.522	0.581	0.494
 <u>Overlapping Rates:</u>				
Durham County	0.809	0.834	0.708	0.690
 Total Direct and Overlapping rates	1.331	1.356	1.289	1.184

* 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
0.360	0.378	0.378	0.388	0.388	0.388
0.041	0.041	0.041	0.051	0.051	0.051
0.093	0.075	0.075	0.075	0.085	0.085
0.494	0.494	0.494	0.514	0.524	0.524
0.071	0.071	0.071	0.071	0.071	0.071
0.565	0.565	0.565	0.585	0.595	0.595
0.858	0.858	0.858	0.858	0.878	0.878
0.188	0.188	0.188	0.208	0.208	0.208
1.046	1.046	1.046	1.066	1.086	1.086
1.611	1.611	1.611	1.651	1.681	1.681
0.360	0.378	0.378	0.388	0.388	0.388
0.041	0.041	0.041	0.051	0.051	0.051
0.093	0.075	0.075	0.075	0.085	0.085
0.494	0.494	0.494	0.514	0.524	0.524
0.746	0.746	0.744	0.744	0.744	0.793
1.240	1.240	1.238	1.258	1.268	1.317

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

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

Taxpayer	Type of Business
Duke Energy Corporation (formerly Duke Power Company)	Public Utility
Northwestern Mutual Life (Chapel Watch Apartments)	Apartment Rental
Corium LLC	Office Building
East 54 Associates	Development
ACC GF III Chapel Ridge/Chapel View	Apartment Rental
Madison University Mall LLC (formerly University Mall Properties)	Shopping Center
Europa Center LLP	Office Building
Granville Towers LLC	Apartment Rental
Southern Village Apartments	Apartment Rental
DDRM Meadowmont Village Center LLC	Retail
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) 2006-2007 Comprehensive Annual Financial Report.
- (2) Orange County Department of Revenue.

Table 8

Fiscal Year 2016			Fiscal Year 2007		
Assessed Valuation	(2) Rank	Percentage of Total Assessed Valuation	Assessed Valuation	(1) Rank	Percentage of Total Assessed Valuation
41,105,249	1	0.55%	24,909,646	7	0.46%
38,780,892	2	0.52%			
35,388,300	3	0.47%	32,584,496	6	0.60%
35,239,900	4	0.47%			
35,037,316	5	0.47%			
32,792,795	6	0.44%	36,437,198	4	0.67%
28,444,066	7	0.38%	24,868,917	8	0.45%
27,428,717	8	0.36%			
25,600,702	9	0.34%			
24,463,692	10	0.33%			
			50,171,736	1	0.92%
			43,904,279	2	0.80%
			41,499,386	3	0.76%
			36,043,449	5	0.66%
			23,994,356	9	0.44%
			22,315,802	10	0.41%
<u>\$ 324,281,629</u>		<u>4.31%</u>	<u>\$ 336,729,265</u>		<u>6.15%</u>
<u>\$ 7,519,606,147</u>			<u>\$ 5,472,958,888</u>		

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

Table 9

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy	
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
2016	39,789,825	39,638,269	99.62%	-	39,638,269	99.62%	151,556

* 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
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
2016	23,472,000	20,210,000	-	12,592,753	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)
5,680,000	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%
-	56,397,899	52,989	944	1.78%

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

Fiscal Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General bonded debt outstanding				
General obligation bonds	\$ 21,630,000	\$ 19,515,000	\$ 17,415,000	\$ 15,285,000
Percentage of estimated actual property value (1)	0.40%	0.34%	0.30%	0.22%
Per capita (2)	\$ 522	\$ 471	\$ 397	\$ 325

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>		
\$ 34,110,000	\$ 31,445,000	\$ 30,820,000	\$ 28,141,000	\$ 25,662,000	\$ 23,472,000		
0.46%	0.43%	0.42%	0.38%	0.34%	0.31%		
\$ 712	\$ 673	\$ 633	\$ 544	\$ 490	\$ 442.96		

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**Town of Chapel Hill
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016**

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	\$ 59,280,000	42.33%	\$ 25,091,320
Durham County	271,825,130	1.67%	4,534,502
Total overlapping debt			<u>29,625,822</u>
Total direct debt			<u>56,397,899</u>
Total direct and overlapping debt			<u><u>\$ 86,023,721</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total assessed valuation	\$ 5,472,958,888	\$ 5,659,756,385	\$ 5,835,597,388	\$ 7,045,574,326
Debt limit - 8% of total assessed valuation	437,836,711	452,780,511	466,847,791	563,645,946
General obligation bonds	21,630,000	19,515,000	17,415,000	15,285,000
Bonds authorized but unissued	<u>20,410,000</u>	<u>20,410,000</u>	<u>20,410,000</u>	<u>20,410,000</u>
Net debt applicable to debt limit	42,040,000	39,925,000	37,825,000	35,695,000
Legal debt margin	<u>\$ 395,796,711</u>	<u>\$ 412,855,511</u>	<u>\$ 429,022,791</u>	<u>\$ 527,950,946</u>
Legal debt margin as a percentage of the debt limit	90.40%	91.18%	91.90%	93.67%

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, 2016 totalled \$63,772,000

This total is less than 1% of the Town's June 30, 2016 tax base (\$7.59 billion).

* Source: The North Carolina Department of Revenue final report of assessed property values for the 2015/2016 fiscal year.

North Carolina G.S §159-55.

Table 13

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 7,411,059,390	\$ 7,264,762,419	\$ 7,304,497,468	\$ 7,463,253,905	\$ 7,447,017,329	\$ 7,594,665,291
592,884,751	581,180,994	584,359,797	597,060,312	595,761,386	607,573,223
34,110,000	31,445,000	30,820,000	28,141,000	25,662,000	23,472,000
-	-	-	-	-	40,300,000
34,110,000	31,445,000	30,820,000	28,141,000	25,662,000	63,772,000
\$ 558,774,751	\$ 549,735,994	\$ 553,539,797	\$ 568,919,312	\$ 570,099,386	\$ 543,801,223
94.25%	94.59%	94.73%	95.29%	95.69%	89.50%

**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)
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%
2016	59,753	7,440,708	52,989	25.8	15.82	41,490	5.2%

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 2016			Fiscal Year 2007		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
University of North Carolina at Chapel Hill	20000+	1		11,000	1	40.93%
University of North Carolina Hospitals	11000+	2	Not available	6,956	2	25.88%
Carrboro-Chapel Hill Schools	1000+	3	available	1,612	3	6.00%
Blue Cross Blue Shield of NC	750+	4		1,573	4	5.85%
Town of Chapel Hill	750+	5		678	5	2.52%
			<u>Not available</u>	<u>21,819</u>		<u>81.18%</u>
Total Town Employment	<u>Not available</u>			<u>26,878</u>		

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

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government:				
Finance				
Purchase orders issued	2,386	2,222	1,411	1,275
Human Resources				
Recruitment for positions	79	84	88	72
Public Works				
Streets resurfaced (miles)	5.71	5.71	5.87	8.09
Refuse collected (tons)	21,541	19,821	16,502	15,501
Economic and development:				
Planning/Inspections				
Building permits issued	755	610	692	792
Public safety:				
Police				
Calls for service*	42,428	42,691	34,273	44,588
Traffic citations	6,716	6,439	5,605	5,590
Fire				
Emergency responses	3,349	2,274	2,352	4,113
Property losses	\$ 3,312,435	\$ 2,875,631	\$ 2,317,857	\$ 2,315,123
Inspections	730	714	1,436	2,334
Leisure activities:				
Parks and Recreation				
Program/league registrants**	35,250	35,758	35,389	n/a
Pass memberships				3,168
Class registrations				2,563
Daily visits				131,840
Transit				
Service miles	2,396,497	2,247,250	2,190,575	2,938,507
Parking				
Citations issued	18,731	18,864	17,136	16,977
Stormwater (est. 2004-2005 fiscal year)				
Stormwater impact statement reviews ***	193	223	234	n/a

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

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

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

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

Source: Town of Chapel Hill department representatives.

Table 16

Fiscal Year						
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	1,278	1,350	1,372	1,214	1,279	1,353
	54	39	43	68	99	83
n/a	6.4	6.0	5.88	5.88	5.88	5.88
14,700	14,656	14,711	14,746	14,082	14,331	
	581	1,007	884	1,006	967	967
	36,596	36,206	36,094	36,088	37,804	38,009
	4,664	4,996	5,087	5,721	6,709	6,459
	4,723	4,318	4,194	4,109	4,388	4,642
\$ 880,880	\$ 1,418,764	\$ 2,449,214	\$ 2,244,585	\$ 1,001,991	\$ 1,145,028	
	1,155	1,252	761	757	946	1,178
n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2,719	3,631	5,514	4,195	4,123	4,189
	3,086	6,142	3,797	5,207	4,507	4,524
	118,605	114,450	115,503	108,569	104,728	95,047
	2,800,468	2,598,465	2,467,578	2,614,684	2,372,166	2,303,864
	14,949	13,130	12,968	12,970	10,465	12,598
n/a	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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government:				
Public Works				
Streets (miles)	164.2	165.1	164.9	165.3
Street lights	3,075	3,161	3,260	3,313
Public Safety:				
Police				
Patrol units	4	5	5	5
Investigative units	2	2	2	2
Other specialty units	3	2	3	5
Fire				
Number of stations	5	5	5	5
Leisure activities:				
Parks and Recreation				
Number of parks & recreational facilities	17	15	15	15
Library				
Volumes in circulation	170,586	178,687	164,040	181,046
Transportation				
Number of buses	89	98	96	99
Number of vans	18	15	15	19
Parking				
Number of spaces available	890	880	913	957
Housing				
Number of units occupied	320	316	322	326

Source: Town of Chapel Hill Department representatives.

Table 17

Fiscal Year						
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
165.4	165.7	162.7	165.2	165.2	165.2	
3,313	3,396	3,422	3,425	3,491	3,522	
5	5	5	5	5	5	
2	2	2	2	2	2	
4	4	4	4	4	4	
5	5	5	5	5	5	
15	15	15	15	14	14	
182,800	186,290	200,105	216,985	204,271	199,922	
98	98	99	98	98	98	
19	19	17	19	19	6	
948	957	1,111	1,189	1,189	1,106	
321	308	321	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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Mayor and council	1	1	1	1	1	1	1	1	1	1
Town manager's office	7.53	6.8	7	8	8	9.8	7	11.75	11.75	9
Communication and Public Affairs	4.53	7.53	9.13	9.13	9.13	7.33	6.53	7.53	7.53	8.53
Human resources	8	8	8	8	8	8	8	8	7	10
Finance	12.33	12.53	14	14	14	15	15	15	16	18
Technology solutions	7	7	8	8	9	8	8	9	9	10
Legal	2	2	2	2	2	2	2	2	2	2
Environment and development:										
Planning & Sustainability (C)	18.56	19.56	21.1	21.06	20.53	20.53	17.75	15.75	15.75	35.65
Housing & Community	-	-	-	-	-	-	-	-	-	6.2
Public Works (A,B)	124	114	78	76.75	85	76.25	65.25	71.25	71.25	72.25
Inspections (C)	9	9	8	8	8	8	8	8	12	-
Engineering	19	20	23	23	23	23	23	23	23	21
Public Safety:										
Police	144	144	144	144	145	145	139	138	136	136
Fire	86.53	86.53	93.5	93.53	93.53	93.53	90	92	92	95
Leisure activities:										
Parks & Recreation (A)	23.26	22.59	56.79	58.84	58.84	58.84	53.51	54.01	54.41	57.83
Library	29	29	29.2	29.2	29.08	29.08	30.39	26.63	30.09	30.41
Transit	167.79	171.46	176	185.98	195.33	195.33	171.73	178.41	183.79	198.29
Parking	12.8	12.8	12.8	12.8	12.8	12.8	11.8	11.8	11.8	10.8
Housing	17	18	18	18	17	17	16	16	16	16
Stormwater (B)	5.2	7	14	14	14	14	14	14	14	14
Vehicle Maintenance	-	-	-	-	-	-	7.75	7.75	7.75	7.75
Downtown Service	-	-	-	-	-	-	1	1	1	1
Total	698.53	698.8	723.52	735.29	753.24	744.49	696.71	711.88	723.12	760.71

- Notes:
- (A) The Landscape division of Public Works was moved to the Parks and Recreation Department in 2008-2009.
 - (B) The Drainage division of Public Works was moved to the Stormwater Department in 2007-2008.
 - (C) The Inspections division was moved to Planning & Sustainability in 2015-2016.

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

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

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

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Chapel Hill's basic financial statements, and have issued our report thereon dated October 24, 2016.

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 24, 2016

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Chapel Hill's major federal programs for the year ended June 30, 2016. The Town of Chapel Hill's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 24, 2016

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

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Chapel Hill, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Chapel Hill's major State programs for the year ended June 30, 2016. The Town of Chapel Hill's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Chapel Hill complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
October 24, 2016

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

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

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

Program Name	CFDA#
CDBG - Entitlement Program	14.218
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526

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

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

TOWN OF CHAPEL HILL, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

State Maintenance Assistance for Urban and Small Urban Areas

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

None reported

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

None reported

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

None reported

TOWN OF CHAPEL HILL, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None.

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TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
FEDERAL ASSISTANCE							
U.S. Department of Transportation							
<i>Direct Programs:</i>							
FEDERAL TRANSIT CLUSTER:							
Federal Transit Administration - Federal Transit Formula Grant	20.507	NC-90-X436-00	633,142	-	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507	NC-90-X519-00	45,633	-	-	-	-
Federal Transit Administration - Federal Transit Formula Grant	20.507	NC-95-X041-00	1,505,000	42,353	-	10,588	-
Federal Transit Administration - Federal Transit Formula Grant	20.507	NC-39-0003	700,000	233,415	-	58,353	-
Federal Transit Administration - Federal Transit Formula Grant	20.507	NC-90-X497-00	82,243	42,372	-	10,593	-
Federal Transit Administration - Bus and Bus Facilities Formula Grant	20.526	NC-34-0006-00	463,437	70,488	-	17,994	-
<i>Subtotal Direct Federal Transit Cluster</i>				388,628	-	97,528	-
TRANSIT SERVICES PROGRAM CLUSTER:							
Federal Transit Administration - Enhanced Mobility Seniors & Indiv. with Disabilities	20.513	NC-16-X008	216,000	39,932	-	39,932	-
<i>Subtotal Direct Transit Services Program Cluster</i>				39,932	-	39,932	-
<i>Passed-Through City of Durham, North Carolina:</i>							
METROPOLITAN TRANSPORTATION PLANNING PROGRAM / STATE AND NON-METROPOLITAN PLANNING AND RESEARCH PROGRAM:							
Federal Transit Administration - Section 5303	20.505	U-4727	170,110	115,300	14,412	14,413	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
Federal Transit Administration - Section 5303	20.505	STP-DA 133(B)(3)(7)	85,000	50,565	-	11,890	-
Federal Transit Administration - Section 5303	20.505	STP-DA Mobility	132,000	64,551	-	16,138	-
<i>Subtotal Pass-Through Metro Transportation Planning Program / State and Non-Metro Planning and Research Program</i>				165,865	14,412	26,303	-
TRANSIT SERVICES PROGRAM CLUSTER:							
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	135,954	32,955	-	32,956	-
Federal Transit Administration Job Access and Reverse Commute Program	20.516	JARC - 5316	70,390	713	-	712	-
<i>Subtotal Pass-Through Transit Services Program Cluster</i>				33,668	-	33,668	-
Total U.S. Department of Transportation				628,093	14,412	197,431	-
Federal Highway Administration							
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER:							
Highway Planning and Construction Program							
NCDOT STPDA Grant - Morgan Creek	20.205	U-4726 IG	560,000	36,147	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205	U-4726 IG	750,000	-	-	-	-
NCDOT STPDA Grant - Morgan Creek	20.205	U-4726 IG	125,000	-	-	-	-
NCDOT STPDA Grant - Tanyard Branch Trail	20.205	U-4726 IJ	125,000	76,082	-	19,021	-
NCDOT STPDA Grant - Variable Message System	20.205	U-5543	93,750	19,097	-	4,774	-
NCDOT STPDA Grant - Friday Center Drive	20.205	U-4726 II	565,000	-	-	-	-
NCDOT STPDA Grant - Estes Drive Bike Design	20.205	C-5179	248,000	118,228	-	-	-
NCDOT CMAQ Grant - Estes Drive Bike Construct	20.205	C-5179	2,338,000	-	-	-	-
<i>Subtotal Pass-Through Highway Planning and Construction Cluster</i>				249,554	-	23,795	-
Total Federal Highway Administration				249,554	-	23,795	-

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
U.S. Department of Housing and Urban Development							
<i>Direct Programs:</i>							
CDBG & ENTITLEMENT GRANTS CLUSTER:							
Community Development Block Grant Entitlement Program income	14.218	MC-37-0016	7,687,433 -	233,316 -	- -	- 7,339	101,416 -
<i>Subtotal Direct CDBG Entitlement Grants Cluster</i>				233,316	-	7,339	101,416
PUBLIC & INDIAN HOUSING							
Public and Indian Housing Program - Operating Rental and other income	14.850	NC046-00000115D	1,169,986 -	1,169,986 -	- -	- 940,223	- -
<i>Subtotal Direct Public Housing Capital Grants</i>				1,169,986	-	940,223	-
PUBLIC HOUSING CAPITAL FUND							
Public Housing - Capital Fund	14.872	NC-19P04650112	448,270	540	-	-	-
	14.872	NC-19P04650113	444,974	119,971	-	-	-
	14.872	NC-19P04650114	449,057	49,754	-	-	-
	14.872	NC-19P04650115	454,460	23,829	-	1,573	-
<i>Subtotal Direct Public & Indian Housing Capital Grants</i>				194,094	-	1,573	-
<i>Passed-Through Orange County, North Carolina:</i>							
HOME INVESTMENT PARTNERSHIP PROGRAM							
Public and Indian Housing - Program Income				-	-	11,349	-
<i>Subtotal Pass-Through HOME Program</i>				-	-	11,349	-
Total U.S. Department of Housing and Urban Development				1,597,396	-	960,484	101,416

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
U.S. Department of Justice							
<i>Direct Programs:</i>							
Bulletproof Vest Partnership Program	16.607		28,511	13,791	-	13,792	-
Bulletproof Vest Partnership Program	16.607		27,066	-	-	-	-
<i>Subtotal direct programs</i>				<u>13,791</u>	<u>-</u>	<u>13,792</u>	<u>-</u>
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>							
Governor's Crime Commission DNA Backlog Reduction Program	16.741	PROJ011685	23,990	-	-	-	-
<i>Subtotal Passed-Through NC Dept of Crime Control & Public Safety</i>				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Justice				<u>13,791</u>	<u>-</u>	<u>13,792</u>	<u>-</u>
U.S. Department of Homeland Security							
<i>Passed-Through NC Department of Crime Control & Public Safety:</i>							
Disaster Grants - Public Assistance	97.036	PW119879	8,222	8,222	-	-	-
Total U.S. Department of Homeland Security				<u>8,222</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Institute of Museum and Library Services							
<i>Passed-Through State Library of North Carolina:</i>							
LSTA Project Literacy & Lifelong Learning Grant	45.310	NC-16-51	100,000	100,000	-	-	-
Total U.S. Institute of Museum and Library Services				<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE				<u>2,597,056</u>	<u>14,412</u>	<u>1,195,502</u>	<u>101,416</u>

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Program or Award Amount	Current Year Expenditures			Pass-through to subrecipients
				Federal	State	Local	
STATE ASSISTANCE							
North Carolina Department of Transportation:							
Powell Bill			1,488,601	-	1,488,601	-	-
Interest			58	-	-	58	-
State Maintenance Assistance for Urban and Small Urban Areas			2,996,737	-	2,996,737	-	-
NCDOT MPO Grant - Traffic Signal Upgrade			450,000	-	126,905	-	-
<i>Passed-Through Triangle J Council of Government:</i>							
Transit Demand Grant			88,253	-	45,368	32,430	-
Total North Carolina Department of Transportation				-	4,657,611	32,488	-
North Carolina Department of Cultural Resources:							
State Library Aid			29,147	-	29,147	-	-
TOTAL STATE ASSISTANCE				-	4,686,758	32,488	-
TOTAL FINANCIAL ASSISTANCE				2,597,056	4,701,170	1,227,990	101,416

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

1. The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Chapel Hill, North Carolina under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Chapel Hill, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Chapel Hill.

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

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

3. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2016. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2016, the Town had no unspent Powell Bill funds. The amount calculated as interest is based on the prior year interest rate which was used as an estimate for the current year.

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