

## STATISTICAL SECTION

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>General Government</b>	<b>Environment and Development</b>	<b>Public Safety</b>	<b>Leisure Activities</b>	<b>Non- departmental</b>
1995	\$ 2,206,610	\$ 10,605,928	\$ 8,021,964	\$ 3,270,025	\$ 767,735
1996	2,287,271	15,830,573	8,606,729	2,658,387	953,242
1997	2,480,430	14,126,960	9,210,612	2,892,954	944,006
1998	2,625,234	11,845,965	9,660,868	2,663,536	891,557
1999	2,490,722	16,639,102	10,005,232	3,068,911	996,914
2000	2,748,984	14,305,633	10,786,477	3,236,540	711,717
2001	2,916,683	15,548,497	12,009,852	3,507,813	985,953
2002	3,085,314	22,793,279	13,394,643	3,751,287	1,075,234
2003	3,297,515	17,969,896	13,859,523	3,822,370	823,903
2004	3,517,651	17,360,844	14,976,104	4,081,517	962,489

Note: (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. See Exhibit 5.

**Table I**

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<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
\$ 847,339	\$ 2,176,118	\$ 27,895,719
868,887	1,800,757	33,005,846
1,166,416	2,010,822	32,832,200
4,255,356	2,024,736	33,967,252
3,315,929	2,164,646	38,681,456
1,888,495	2,189,780	35,867,626
4,013,559	2,532,046	41,514,403
3,413,124	2,422,731	49,935,612
3,454,036	2,342,855	45,570,098
5,516,543	2,550,610	48,965,758

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Taxes</b>	<b>Licenses and Permits</b>	<b>Fines and Forfeitures</b>	<b>Inter- governmental Revenues</b>	<b>Charges for Services</b>
1995	\$ 16,306,330	\$ 802,931	\$ 13,769	\$ 7,028,004	\$ 1,361,447
1996	17,233,996	811,355	16,502	10,800,153	1,475,821
1997	17,849,916	839,898	20,863	9,698,644	1,815,278
1998	19,558,996	1,059,355	17,854	7,344,202	1,811,097
1999	20,551,608	1,385,970	20,053	11,096,492	1,700,313
2000	22,032,598	1,349,780	14,231	8,774,761	1,533,782
2001	23,328,989	1,363,742	14,945	8,388,946	1,557,250
2002	26,193,450	1,432,195	19,510	14,962,684	1,706,496
2003	29,251,469	1,519,274	25,391	10,823,095	1,984,469
2004	30,430,218	1,551,622	27,676	8,866,342	2,075,005

Note: (1) Includes General, Special Revenue, Debt service and Capital Projects Funds. See Exhibit 5.

**Table 2**

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<b>Interest on Investments</b>	<b>Other</b>	<b>Total</b>
\$ 454,646	\$ 804,692	\$ 26,771,819
595,673	774,832	31,708,332
589,354	934,143	31,748,096
701,072	1,311,795	31,804,371
598,116	1,204,166	36,556,718
763,966	1,031,545	35,500,663
948,173	1,472,760	37,074,805
289,653	1,381,154	45,985,142
187,590	1,595,635	45,386,923
192,595	1,794,734	44,938,192

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Tax Year</b>	<b>Fiscal Year Ended June 30,</b>	<b>Current Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>
1994	1995	\$ 12,361,034	\$ 12,134,161	% 98.16	\$ 194,215
1995	1996	12,978,742	12,776,997	98.45	189,731
1996	1997	13,779,082	13,605,513	98.74	108,143
1997	1998	14,935,217	14,840,691	99.37	180,945
1998	1999	15,534,727	15,413,292	99.22	125,658
1999	2000	16,598,182	16,453,207	99.13	104,525
2000	2001	17,594,559	17,466,542	99.27	132,508
2001	2002	20,417,001	20,271,201	99.29	116,045
2002	2003	23,067,472	22,919,205	99.36	144,130
2003	2004	23,790,088	23,653,530	99.43	127,726

**Table 3**

<b>Total Tax Collections During Year</b>		<b>Percent of Total Tax Collections to Tax Levy</b>		<b>Outstanding Delinquent Taxes</b>		<b>Percent of Delinquent Taxes to Tax Levy</b>	
\$	12,328,376	%	99.74	\$	334,792	%	2.71
	12,966,728		99.91		382,811		2.95
	13,713,656		99.53		461,312		3.35
	15,021,636		100.58		467,522		3.13
	15,538,950		100.03		507,815		3.27
	16,557,732		99.76		464,972		2.80
	17,599,050		100.03		479,986		2.73
	20,387,246		99.85		530,838		2.60
	23,063,335		99.98		495,807		2.15
	23,781,256		99.96		490,838		2.06

**TAXABLE PROPERTY ASSESSED VALUE  
LAST TEN FISCAL YEARS**

<b>Tax Year</b>	<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Companies</b>	<b>Total Assessed Value</b>	<b>Ratio of Assessed Value to Estimated Actual Value</b>
1994	1995	\$ 1,778,151,350	\$ 264,148,241	\$ 52,555,336	\$ 2,094,854,927	100 %
1995	1996	1,862,413,539	272,394,696	55,050,922	2,189,859,157	100
1996	1997	1,924,867,361	312,971,196	57,994,746	2,295,833,303	100
1997	(1) 1998	2,362,338,074	348,375,791	57,982,816	2,768,696,681	100
1998	1999	2,457,855,819	365,092,224	60,078,208	2,883,026,251	100
1999	2000	2,501,345,508	381,872,039	60,948,410	2,944,165,957	100
2000	2001	2,589,768,417	388,087,936	61,660,255	3,039,516,608	100
2001	(2) 2002	3,556,294,528	403,959,196	60,873,428	4,021,127,152	100
2002	2003	3,688,289,625	415,023,471	63,868,306	4,167,181,402	100
2003	2004	3,791,942,402	455,906,761	57,587,809	4,305,436,972	100

Notes: (1) Increase due to revaluation.

(2) Increase due to revaluation and the addition of \$200 million from a major annexation.



**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
PER \$100 OF ASSESSED VALUE  
LAST TEN FISCAL YEARS**

**CHAPEL HILL WITHIN ORANGE COUNTY**

Tax Year	Fiscal Year Ended June 30,	Town of Chapel Hill		Orange County	Total
		General Fund	Transportation		
1994	1995	.543	.0480	.885	1.476
1995	1996	.543	.0480	.948	1.539
1996	1997	.543	.0530	.998	1.594
1997	1998	* .495	.0430	.873	1.411
1998	1999	.498	.0400	.902	1.440
1999	2000	.524	.0390	.919	1.482
2000	2001	.535	.0430	.929	1.507
2001	2002	* .461	.0430	.805	1.309
2002	2003	.510	.0430	.845	1.398
2003	2004	.502	.0510	.880	1.433

**CHAPEL HILL WITHIN DURHAM COUNTY**

Tax Year	Fiscal Year Ended June 30	Town of Chapel Hill		Durham County	Total
		General Fund	Transportation		
1994	1995	.543	.0480	.9427	1.534
1995	1996	.543	.0480	.9427	1.534
1996	1997	.543	.0530	.9597	1.556
1997	1998	* .495	.0430	.9597	1.498
1998	1999	.498	.0400	.9397	1.478
1999	2000	.524	.0390	.9297	1.493
2000	2001	.535	.0430	.9297	1.508
2001	2002	* .461	.0430	.7290	1.233
2002	2003	.510	.0430	.7530	1.306
2003	2004	.502	.0510	.7630	1.316

\* Denotes revaluation year

**SPECIAL ASSESSMENTS COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Current Assessments Due</b>	<b>Current Collections</b>	<b>Ratio of Collections to Amount Due</b>	<b>Total Outstanding Assessments</b>
1995	\$ 25,369	\$ 16,503	65	\$ 36,623
1996	14,864	19,531	131	22,115
1997	9,685	6,637	69	15,478
1998	15,478	2,135	14	13,343
1999	13,343	3,253	24	18,731
2000	18,731	7,010	37	11,721
2001	2,717	2,717	N/A	-
2002	-	-	N/A	-
2003	-	-	N/A	-
2004	-	-	N/A	-

**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Population Estimate</b>	<b>Taxable Assessed Value</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Taxable Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
1995	42,918	\$ 2,094,854,927	\$ 14,450,000	0.69	336
1996	44,848	2,189,859,157	15,865,000	0.72	354
1997	43,539	2,295,833,303	14,755,000	0.64	339
1998	43,423	2,768,696,681	18,090,000	0.65	417
1999	43,977	3,039,516,608	16,880,000	0.59	384
2000	46,019	2,944,165,957	20,225,000	0.69	460
2001	48,902	3,039,516,608	18,705,000	0.62	421
2002	50,454	4,021,127,152	17,380,000	0.43	337
2003	51,005	4,167,181,402	20,070,000	0.48	383
2004	51,485	4,305,436,972	18,400,000	0.43	357

Note: Net bonded debt includes general obligation bonds only.

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**Table 8**

**COMPUTATION OF LEGAL DEBT MARGIN**  
**June 30, 2004**

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Total assessed valuation at June 30, 2004	<u><u>\$ 4,305,436,972</u></u>
Debt limit - 8% of total assessed value	344,434,958
Amount of debt applicable to debt limit: General obligation bonds	<u>18,400,000</u>
Legal debt margin	<u><u>\$ 326,034,958</u></u>

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT**  
**June 30, 2004**

<b>Jurisdiction</b>	<b>Bonded Debt</b>	<b>Percentage</b>	<b>Amount</b>
Direct			
Town of Chapel Hill	\$ 18,400,000	100.0 %	<u>\$ 18,400,000</u>
Overlapping			
Orange County	107,585,000	41.7	44,862,945
Durham County	181,820,000	1.2	<u>2,181,840</u>
Total Overlapping			<u>47,044,785</u>
Total Direct and Overlapping Bonded Debt			<u><u>\$ 65,444,785</u></u>

NOTE: Bonded debt includes general obligation bonds only.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO  
GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Debt Service Expenditures			Total	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
	Principal	Interest	Other Expenses			
					(1)	
1995	\$ 1,127,673	\$ 1,047,886	\$ 559	\$ 2,176,118	\$ 27,895,719	7.80
1996	981,535	818,261	962	1,800,758	33,022,278	5.45
1997	1,144,529	865,597	696	2,010,822	32,832,200	6.12
1998	1,249,334	775,108	294	2,024,736	33,967,252	5.96
1999	1,245,829	918,551	266	2,164,646	38,681,456	5.60
2000	1,355,000	834,560	220	2,189,780	35,867,626	6.11
2001	1,520,000	1,011,688	358	2,532,046	41,514,403	6.10
2002	1,490,000	932,418	313	2,422,731	49,935,612	4.85
2003	1,560,000	782,855	-	2,342,855	45,570,098	5.14
2004	1,670,000	880,610	-	2,550,610	48,965,758	5.21

NOTE: (1) Includes General, Special Revenue, Debt Service and Capital Projects Funds. See Exhibit 5.

**DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Population (1)</b>	<b>Per Capita Income (2)</b>	<b>Median Age (2)</b>	<b>School Enrollment (3)</b>	<b>% Unemployment Rate (4)</b>
1995	42,918	\$ 16,288	24.8	31,890	2.2
1996	44,848	16,288	24.8	32,245	1.9
1997	43,539	16,288	24.8	32,155	1.6
1998	43,423	16,288	24.8	32,375	1.6
1999	43,977	16,288	24.8	32,375	1.3
2000	46,019	16,288	24.8	33,520	1.2
2001	48,902	16,288	24.8	34,462	1.8
2002	50,542	24,133	24.0	34,628	3.1
2003	51,005	24,133	24.2	37,012	4.0
2004	51,485	24,133	24.2	37,587	3.0

**SOURCES:**

- (1) Office of State Planning, State of North Carolina population as restated in September 2003.
- (2) Estimated from 1990 and 2000 Census of Population, U.S. Department of Commerce Bureau of Census. Per capita income and median age data from 1994 to 2001 are calculated on 1990 census data. Per capita income and median age for 2002 to 2004 are based on the 2000 Census of Population.
- (3) Chapel Hill-Carrboro Public Schools and University of North Carolina at Chapel Hill.
- (4) Department of Commerce, State of North Carolina.

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Property Value (2)			
	Real Property	Personal Property	Public Service Companies	Total Assessed Value
1995	\$ 1,778,151	\$ 264,148	\$ 52,555	\$ 2,094,854
1996	1,862,414	272,395	55,051	2,189,860
1997	1,924,867	312,971	57,995	2,295,833
1998	(1) 2,362,338	348,376	57,982	2,768,696
1999	2,457,856	365,092	60,078	2,883,026
2000	2,501,345	381,872	60,948	2,944,165
2001	2,589,768	388,088	61,660	3,039,516
2002	(1) 3,556,294	403,960	60,873	4,021,127
2003	3,688,290	415,023	63,868	4,167,181
2004	3,791,942	455,907	57,588	4,305,437

All dollar amounts are in thousands of dollars.

- (1) Increase due to revaluation.
- (2) Estimated assessed value from Table 4.
- (3) Source : Town of Chapel Hill Inspections Department.



**TABLE 12**

<b>Construction (3)</b>				
<b>Number of Building Permits</b>	<b>Residential Value</b>	<b>Non-Residential Value</b>	<b>Residential Value</b>	<b>Total Value</b>
579	\$ 55,255	\$ 21,581	\$	76,836
745	57,491	13,544		71,035
669	49,166	24,761		73,927
824	74,946	47,240		122,186
945	86,188	47,760		133,948
863	90,299	60,795		151,094
841	98,861	25,307		124,168
927	99,479	33,232		132,711
1,035	116,538	36,407		152,945
903	85,801	21,280		107,081

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**Table 13**

**PRINCIPAL TAXPAYERS**

**June 30, 2004**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>2004 Assessed Value</b>	<b>% of Total Assessed Value</b>	
Blue Cross and Blue Shield of North Carolina	Health Insurance	\$ 35,430,128	0.82	%
US GT LLC (University Square)	Shopping Center	35,126,445	0.82	
VAC Limited Partnership	Apartment Rental	32,283,091	0.75	
Bell South Telephone Company	Public Utility	27,671,141	0.64	
Corium LLC	Health Insurance	25,608,158	0.59	
Europa Center LLC	Office Building	24,273,824	0.56	
Meadowmont JV LLC	Development	23,616,296	0.55	
University Mall Properties	Shopping Center	20,594,783	0.48	
Duke Energy Corporation	Public Utility	20,577,573	0.48	
Estates at Chapel Hill LLC	Development	18,808,243	0.44	
		<b>\$ 263,989,682</b>	<b>6.13</b>	<b>%</b>

**MISCELLANEOUS STATISTICS**

June 30, 2004

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Date of incorporation	1819
Form of government	Council-Manager
Area	21.1 square miles
Miles of streets	153.05
Number of street lights	3,006
Fire protection:	
Number of stations	5
Number of firefighters and officers (exclusive of volunteer firemen)	74
Police protection:	
Number of stations	1
Number of police officers	113
Building permits issued	903
Recreation and culture:	
Number of parks	17
Number of libraries	1
Number of volumes	150,408
Employees:	
Full-time equivalents	654

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# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's 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***

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

We have audited the basic financial statements of the Town of Chapel Hill, North Carolina, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 7, 2004. 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Town of Chapel Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Chapel Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Greensboro, North Carolina  
September 7, 2004

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Compliance With Requirements Applicable  
to Each Major Federal Program and on Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
and the State Single Audit Implementation Act**

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

## **Compliance**

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Chapel Hill's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Chapel Hill's compliance with those requirements.

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

## **Internal Control Over Compliance**

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Greensboro, North Carolina  
September 7, 2004

# McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report  
on Compliance With Requirements Applicable to the  
Major State Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133  
and the State Single Audit Implementation Act**

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

**Compliance**

We have audited the compliance of the Town of Chapel Hill, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2004. The Town of Chapel Hill's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the Town of Chapel Hill's management. Our responsibility is to express an opinion on the Town of Chapel Hill's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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. Our audit does not provide a legal determination on the Town of Chapel Hill's compliance with those requirements.

In our opinion, the Town of Chapel Hill complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of the Town of Chapel Hill is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the Town of Chapel Hill's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of the Town Council, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Greensboro, North Carolina  
September 7, 2004

**Town of Chapel Hill, North Carolina**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004**

**I - Summary of Independent Auditor's Results**

Financial Statements:

Type of auditor's report issued on financial reporting:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____	No

Federal Awards:

Type of auditor's report issued on compliance for major federal programs:	<u>Unqualified</u>		
Internal control over major federal programs:			
Material weakness(es) identified?	_____ Yes	_____ X _____ No	
Reportable condition(s) identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____	None Reported
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ Yes	_____ X _____	No

Identification of major federal programs:

Name of Program or Cluster	CFDA No.
Federal Transit Administration	20.500
Community Development Block Grant	14.219

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ X \_\_\_\_\_ Yes \_\_\_\_\_ No

(Continued)

Town of Chapel Hill, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2004

State Awards:		Unqualified	
Type of auditor's report issued on compliance for major state programs:			
Internal control over major state programs:			
Material weakness(es) identified?	Yes	<u>    X    </u>	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes	<u>    X    </u>	None Reported
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?			
	Yes	<u>    X    </u>	No
Identification of major state programs:			
Name of Program or Cluster		CFDA No.	
State Maintenance Assistance		N/A	
Powell Bill		N/A	
Dollar threshold used to distinguish between type A and type B programs:	<u>    \$    300,000    </u>		

(Continued)

Town of Chapel Hill, North Carolina

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2004

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**II - Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With  
Generally Accepted Government Auditing Standards**

None

**III - Findings and Questioned Costs**

A. Federal Awards

None

B. State Awards

None

**TOWN OF CHAPEL HILL, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2004**

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There were no prior year audit findings.

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
<b>FEDERAL ASSISTANCE</b>						
U.S. Department of Transportation						
Direct Programs:						
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X314-00	\$ 1,484,575	\$ 932,000	\$ -	\$ 233,000
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X295-00	334,326	3,036	7,054	(6,295)
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X281-00	247,850	3,961	-	991
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC-90-X265-00	428,130	-	(21,310)	21,310
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.507	NC90-X330	546,921	298,956	(1,600)	76,339
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.505	04-08-002	67,350	36,928	4,616	4,616
Federal Transit Administration - Federal Transit Capital and Planning Formula Grant	20.505		1,331,191	337,412	42,176	42,176
Federal Transit Administration - Thoroughfare Planning - Section 5303	20.505	02-08-002	42,248	(1)	-	1

TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures		
				Federal	State	Local
Passed-Through City of Durham, North Carolina:						
Federal Transit Administration - Highway Act of 1973 Section 104(f) Planning Grant	20.505	PL 104(F)	151,094	106,325	-	13,183
Total U.S. Department of Transportation				1,718,617	30,936	385,321
Federal Emergency Management Agency						
FEMA Public Assistance Grants	97.036	135-11800-00	331,407	331,407	216,791	-
Fire Operations and Firefighter Safety		EMW-2002-FG-06533	9,993	9,993	-	4,282
Total Federal Emergency Management Agency				341,400	216,791	4,282
U.S. Department of Housing and Urban Development						
Direct Programs:						
Community Development Block Grant Entitlement Program income	14.218	MC-37-0016	1,746,000	313,314	-	56,115
Economic Development Initiative Grant	14.246	B-00-SPNC-0023	231,250	47,360	-	-
Public and Indian Housing Program - Operating Rental and other income	14.850	A-3963	1,014,675	1,014,675	-	401,139
Public and Indian Housing - Drug Elimination	14.854	NC-19DEP0460101	82,552	3,100	-	-

TOWN OF CHAPEL HILL, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures	
				Federal	State Local
Public and Indian Housing Capital Fund	14.872	NC-19P04650101 NC-19P04650102 NC-19P04650103 NC-19P04650203	611,585 584,065 453,453 95,773	98,219 85,247 12,173 -	- - - -
Total U.S. Department of Housing and Urban Development			1,574,088	-	457,254
U.S. Department of Justice					
Direct Programs:					
COPS More01 Grant	16.710	2001CMWX0269	30,533	1,120	373
Bulleproof Vest Partnership Program	16.607		16,282	-	-
Local Law Enforcement Block Grant	16.592	03-LB-BX-2505	28,526	2,072	207
Total U.S. Department of Justice			19,474	-	580
U.S. Department of Energy					
Passed-Through the NC Solar Center NC Solar Grant		2002-0080-05	10,800	250	-
National Endowment for the Arts					
Endowment for the Arts Grant	45.024		10,000	10,000	-
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>3,663,829</b>	<b>247,727</b>	<b>847,437</b>



TOWN OF CHAPEL HILL, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Current Year Expenditures	
				Federal	State
<b>STATE ASSISTANCE</b>					
North Carolina Department of Transportation					
Powell Bill			1,315,545	-	-
Interest			285	-	1,918
State Maintenance Assistance for Urban and Small Urban Areas			2,463,045	-	-
NCDOT Street Reimbursement			100,000	-	-
NCDOT Direct Allocation Grant - Hwy 54			170,000	-	-
North Carolina State Technology Funding	02-AT-002		211,100	-	9,304
<b>Total North Carolina Department of Transportation</b>					
				3,950,804	11,222
National Trails Program					
Sustainable Communities Project			30,000	-	-
UNC/UNC Hospital Fire Assistance			91,200	-	-
State Library Aid			110,000	-	-
Governor's Crime Commission Grant			38,033	-	-
			40,672	-	-
<b>TOTAL STATE ASSISTANCE</b>					
				4,139,509	11,222
<b>TOTAL FINANCIAL ASSISTANCE</b>					
			\$ 3,663,829	\$ 4,387,236	\$ 858,659

TOWN OF CHAPEL HILL, NORTH CAROLINA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004**

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1. The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Chapel Hill, North Carolina and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Powell Bill expenditures as reported above represent eligible expenditures reports to the North Carolina Department of Transportation (NCDOT) for the fiscal year ending June 30, 2004. The Town is required to report annually to the NCDOT on the accumulated unspent Powell Bill funds. As of June 30, 2004, the Town had no unspent Powell Bill funds. The amount calculated as interest is based on the prior year interest rate. This was used as an estimate for the current year.