

Comprehensive Annual Financial Report

Year Ended June 30, 2005



Moses Carey, Jr.
Chair, Board of County Commissioners

John M. Link, Jr.
County Manager

Kenneth T. Chavious
Finance Director

Prepared by the Orange County Finance Department

Howard A. Fitts, Accountant
Debbie J. Smith, Sr. Accounting Technician Supervisor
Deborah Wilkins, Accounting Technician
Shari Rasberry, Administrative Assistant
Katina Perry, Accounting Technician
Helen Miller, Office Assistant
Donna Dean, Budget Director and the Budget Department Staff

This Page Intentionally Left Blank

ORANGE COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
Year Ended June 30, 2005

	<u>Page(s)</u>
INTRODUCTORY SECTION - UNAUDITED	
Title Page	i
Table of Contents	ii – vi
Letter of Transmittal	vii – xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
Board of County Commissioners	xiv
Organization Chart	xv
 FINANCIAL SECTION 	
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 14
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20

ORANGE COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
 Year Ended June 30, 2005

	<u>Page(s)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual – Impact Fee Fund	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	26
Notes to Basic Financial Statements.....	27 – 58
 REQUIRED SUPPLEMENTARY INFORMATION	
Law Enforcement Officers’ Special Separation Allowance – Schedule of Funding Progress	59
Law Enforcement Officers’ Special Separation Allowance – Schedule of Employer Contributions	60
Law Enforcement Officers’ Special Separation Allowance – Note to the Required Schedule	61
 COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES	
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, General Fund.....	62 – 65
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, Impact Fee Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, County Capital Improvements Fund.....	67
Schedule of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual, School Capital Improvements Fund.....	68
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	70

ORANGE COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
Year Ended June 30, 2005

	<u>Page(s)</u>
Schedules of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual:	
<i>Property Revaluation Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	71
<i>Community Development Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	72
<i>School Capital Reserve Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	73
<i>Section 8 Housing Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	74
<i>Grant Supported Projects Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	75
<i>Grant Projects Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	76
<i>Emergency Telephone System Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget to Actual	77
<i>Visitors' Bureau Fund</i> – Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual	78
<i>Local Fire Districts Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual	79
<i>Heusner Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual.....	80
<i>Adoption Enhancement Fund</i> – Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual.....	81
Schedule of Revenues and Expenditures, Budget and Actual (Modified Accrual Basis) - <i>Solid Waste Landfill Fund</i>	82
Schedule of Revenues and Expenditures, Budget and Actual (Modified Accrual Basis) - <i>Efland Sewer Operating Fund</i>	83
Schedule of Revenues and Expenditures, Budget and Actual (Modified Accrual Basis) - <i>Efland Sewer Construction Fund</i>	84 – 85
Combining Statement of Fiduciary Assets and Liabilities – <i>Agency Funds</i>	86

ORANGE COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
 Year Ended June 30, 2005

	<u>Page(s)</u>
Combining Statement of Changes in Fiduciary Assets and Liabilities – <i>Agency Funds</i>	87
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS	
Capital Assets Used in the Operation of Governmental Funds – Comparative Schedule by Source	88
Capital Assets Used in the Operation of Governmental Funds – Schedule by Function and Activity	89 – 90
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function and Activity	91 – 92
 OTHER ADDITIONAL INFORMATION:	
Schedule of Ad Valorem Taxes Receivable	93
Schedule of Current Tax Levy	94
 STATISTICAL SECTION - UNAUDITED	
General Government Expenditures by Function	95
General Governmental Revenues by Sources – Excluding Taxes	96
Property Tax Levies and Collections	97
Taxable Property Assessed Value	98
Property Tax Rates – Direct and Overlapping Governments Per \$100 of Assessed Value	99
Property Tax Levies – Direct and Overlapping Governments	100
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita.....	101
Computation of Legal Debt Margin	102
Computation of Direct and Overlapping Bonded Debt.....	103
Ratio of Annual Debt Service Expenditures for General Bonded Debt Compared with General Governmental Expenditures	104
Demographic Statistics.....	105

ORANGE COUNTY, NORTH CAROLINA
TABLE OF CONTENTS
Year Ended June 30, 2005

	<u>Page(s)</u>
Property Value, Construction and Bank Deposits.....	106
Principal Taxpayers.....	107
Miscellaneous Statistics	108

This Page Intentionally Left Blank



Orange County
Finance Department

208 South Cameron Street
Post Office Box 8181
Hillsborough, NC 27278

October 17, 2005

Tel: 919 732-8181
919 968-4501
919 688-7331
919 227-2031
Fax: 919 644-3324

The Board of County Commissioners,
John Link, County Manager,
Citizens of Orange County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, I hereby issue the comprehensive annual financial report (CAFR) of Orange County for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of Orange County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the County's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. This opinion can be found at the beginning of the financial section of this document. In addition to the independent audit of the financial statements, the County is required to undergo an annual "Single Audit" designed to meet the special needs of federal grantor agencies. Information regarding this audit is submitted as a separate report that includes the schedules of financial assistance and findings and questioned costs and the independent auditors' reports on the internal control structure and on compliance.

GAAP require 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 MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

COUNTY PROFILE

Orange County, founded in 1752, is located in the north-central portion of North Carolina, approximately midway between Washington, DC and Atlanta, GA. The County is part of the Raleigh/Durham/Chapel Hill Metropolitan Statistical Area, which also includes the Research Triangle Park, a major complex of research and research-oriented manufacturing facilities.

The County operates under a Commissioner-Manager form of government. The governing body of the County is the Board of County Commissioners, which formulates policies for the administration of the County. In addition, the Board annually adopts a balanced budget and establishes a tax rate for the support of the County's programs. The Board consists of five commissioners, elected on a staggered basis for terms of four years. The County Manager is appointed by, and serves at the pleasure of the Board as the County's Chief Executive Officer. He has appointive and removal authority over department heads and other employees of the County. The County Manager is responsible for the daily operations of the County Government. In addition the Manager's responsibilities include, implementation of policies established by the Board of Commissioners, as well as the administration of the annual budget adopted by the Board.

The County provides a wide range of services, including public safety, human services (Social Services, Health and Aging), funds for education, cultural and recreational activities, general administration functions and others. This CAFR includes all funds and account groups of the County including all activities considered to be part of (controlled by or dependent on) the County. In the fiscal year ended June 30, 1995, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. As a result, the Orange County ABC Board is reported as a discretely presented component unit of the County.

The budget serves as the foundation for Orange County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental funds except those authorized by project ordinance that are multi-year in nature. Appropriations to the various funds are formally budgeted on a functional basis. The County Manager is authorized to approve appropriation transfers within all functions. Transfers that alter the total appropriation of any functional category or fund, including the multi-year project funds, must be approved by the County Commissioners. However, for expenditure control purposes the budget is monitored and controlled on a departmental level.

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 County operates.

Local economy. Orange County and the Research Triangle Park area continue to experience growth and are considered among the most desirable areas of the country to live and work. In March 2004 *Business 2.0* rated Raleigh-Durham-Chapel Hill the #1 Boom Town (Hottest Job Market) in the country. In May 2004, *Forbes* rated the area the #2 best place for businesses and careers, and in June 2004 the Milken Institute rated the area as the #3 U.S. Metro Area for Biotech and Life Sciences.

The County's economy is characterized by a high degree of institutional and public-sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture are smaller portions of the County's economy.

The County enjoys a consistently low unemployment rate. The unemployment rate estimated by the North Carolina Employment Security Commission for December 2004 was 3.6%, one of the lowest in the State. (State average was 5.3% in December 2004.)

The University of North Carolina at Chapel Hill and University Hospitals in the Town of Chapel Hill and their associated service, teaching and research programs have a reputation for excellence in

the educational and medical fields. The County is also the place of residence for many technical, professional and executive people who work in the Research Triangle Park and neighboring cities of Durham, Raleigh, and Burlington.

The Research Triangle refers to an area located among three municipalities: Chapel Hill, Durham and Raleigh. In addition to the University of North Carolina at Chapel Hill, universities located in these municipalities include Duke University and North Carolina Central University in the City of Durham and North Carolina State University in the City of Raleigh. The proximity of these universities makes the Research Triangle area well-suited to many types of research activities.

The Research Triangle Park (the "Park"), located 10 miles east of the County, contains 7,000 acres of land which has been reserved for research and research-oriented manufacturing. Since its inception in the 1950's, over 131 private and governmental organizations have located facilities in the Park. According to the Research Triangle Foundation, the Park represents a capital investment exceeding \$2 billion. As of December 2004, approximately 38,000 people (44,000 including contract employees) were employed at the Park with an annual payroll of approximately \$2.7 billion with an average salary of \$56,000. Approximately 50% of the employees in the Park work for multinational corporations. Because of its close proximity to the County and the fact that many of the Parks' employees reside in the County, the impact of the Park on the County's economy is significant.

An industrial strip along Interstate Highway 85 in the western portion of the County is the location of several manufacturing firms. This area is the projected location for future growth of industrial and commercial concerns. In addition to this area, the County designated over 2,450 acres in three strategically placed areas along Interstates 85 and 40 as Economic Development Districts. The County's location, midway between the Piedmont Triad and Research Triangle metropolitan areas, makes these sites extremely attractive. The districts offer development potential for light industrial, warehouse/flex space, office, retail and business service. Numerous tracts, ranging in size from 20 to 100 acres or more, are available.

Utility extension development is another economic development initiative undertaken by the County. This project encourages economic development in the County by providing funds to finance utility extension development for commercial entities. Using the monies in this fund, the County provides a portion of the upfront water/sewer infrastructure costs for businesses. As the various projects are completed, some portion of the resultant increased property tax revenue is used to repay the fund. These funds then "revolve" to address water/sewer needs of other commercial development projects.

The following table lists the 25 largest major commercial, industrial, and institutional employers in the County:

<u>Company or Institution</u>	<u>Service or Product</u>	<u>Approximate Number of Employees</u>
University of North Carolina at Chapel Hill	Public University	15,588
UNC Hospitals	Medical Center	6,819
Chapel Hill/Carrboro City Schools	Public School System	2,618
Blue Cross/Blue Shield of North Carolina	Insurance Company	1,373
Orange County Board of Education	Public School System	1,253
Orange County Government	County Government	798
Town of Chapel Hill	Municipal Government	769
Harris Teeter, Inc.	Food Store	518
General Electric Co., Inc.	Electrical Equipment Manufacturer	450
Sports Endeavors	Mail Order Retail	434
Wal-Mart Stores, Inc., #1191	Retail Store	429
Aramark Services	Food Service	380

PHE, Inc.	Mail Order Retail	369
Orange-Person-Chatham Mental Health	Mental Health Agency	350
A Southern Season	Retail Specialty Foods	341
Magnolia Gardens	Retirement Community	300
Mebane Packaging Group	Corrugated Carton Manufacturer	300
Whole Foods Market	Food Store	270
U.S. Post Office	Postal Service	253
Kenan Transport	Trucking	240
Carol Woods Retirement Center	Retirement Community	227
Lowe's Food	Food Store	205
Weaver Street Market, Inc.	Retail Natural Foods	195
Performance Chevrolet	Retail Auto Sales/Service	175
UPS	Parcel Distribution Center	168

Source: Orange County Economic Development Commission as of December 2004.

As the national economy recovers, the County's economy is expected to remain relatively strong because of the benefits derived from the low unemployment rate and a stable employment base.

Fiscal Outlook. Reflective of previous fiscal years, the County will continue its traditional commitment to public schools earmarking nearly one-half of the County's 2005-2006 General Fund Budget of \$149.8 million for education. The assessed value for the upcoming year is estimated to be nearly \$12 billion with a tax rate of \$0.843 per \$100 of value. For the first time in a number of years, the County's budget provides no appropriation from fund balance. The zero appropriation relates directly to the collective commitment to the County's efforts toward sustainability. The County will need to take measured steps over the next several years to gradually rebuild the fund balance position to the level experienced in the past. The County's financial underpinnings remain strong and stable.

In the Capital Improvement area, future sales of the 2001 voter approved bonds in the upcoming fiscal years will provide funds to complete the construction of 2 new schools. County facilities will be developed as well, including purchase parkland and open space and the provision of affordable housing opportunities for County Citizens. The County also plans to use bonds and alternative financing sources to provide funding for conservation easements, a satellite Community College Campus and 2 senior centers. County pay-as-you-go funding will increase significantly as a result of a new policy adopted by the County Commissioners providing 40% of all resources to County projects.

Cash and investments management policies and practices. The investment policy of the County is guided in a large part by state statute. The County believes strongly in making the best possible use of idle cash resources and as a result, investments have been made in instruments that insure that ample funds are available as needed to meet disbursement requirements as well as to take advantage of market fluctuations. This approach allows the County to maximize financial return within the parameters of acceptable risk.

To further enhance the cash management program, the County maintains a comprehensive banking services agreement with SunTrust Bank. Services provided include a concentration account for automatic investment of idle funds, zero balance payroll account, wire transfer and automated clearing house services, fully automated account reconciliation and electronic banking services. The concentration account enables the County to fulfill its policy objective in insuring that all deposits are collateralized or insured.

Debt Administration. The County has long recognized the importance of proper long-range planning in order to meet capital needs without experiencing dramatic impacts on operational costs and debt service. To articulate this, the Board of County Commissioners formally adopted a Debt Management Policy. This policy provides guidance on the issuance of debt and sets certain parameters that will insure that the County maintains a sound debt position and that credit quality is protected.

The County's performance against the key parameters contained in the debt management policy is as follows:

Key Financial Ratios Compare to Policy Targets

	Policy Target	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04	30-Jun-05
Net Debt as a Percentage of Assessed Value	3.0%	1.7%	1.5%	1.6%	1.4%	1.5%
Debt Service as a Percent of Expenditures	15.0%	12.2%	13.2%	13.5%	12.9%	13%
Undesignated Fund Balance as a percent of General Fund Expenditures	8.0%	13.5%	10.0%	10.3%	8.5%	9.7%

Risk management. Since 1986, the County has protected itself from potential loss through participation in the North Carolina County Commissioner's Association insurance pools. Through these pools, the County obtains property coverage equal to the replacement value of owned properties subject to a limit of \$125.5 million for any one occurrence, general liability coverage of \$2 million per occurrence and worker's compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property coverage, and single occurrence losses of \$350,000 for workers' compensation.

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Pension plans. Permanent County employees regularly scheduled to work 20 hours or more each work week are required to participate in either the North Carolina Local Governmental Employees' Retirement System or the North Carolina Teachers' and State Employees' Retirement System. These systems, as well as optional/supplemental retirement plans available to employees and the required supplemental retirement plan for law enforcement officers, are discussed in the notes to the financial statements.

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 Orange County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This marks the twenty-third consecutive year that Orange County has received this prestigious award. 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 accounting principles generally accepted in the United States of America 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 the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Award for Distinguished Budget Presentation for its 2004 annual budget document. This is the 14th year that the award has been presented to the County. In

order to qualify for this award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization. The Budget Department believes the fiscal year 2005 budget continues to conform to program requirements and is submitting it to the GFOA to determine eligibility for another award.

Each County department's strong commitment to the goals, vision and mission statements of the County government is reflected in their provision of services to the residents of Orange County. I appreciate the cooperation of all County departments in conducting financial activities, including the preparation of this report. I would like to commend the members of the Finance Department, particularly, for their professional competence and diligence in continuing the progressive financial activities of the County and the preparation of this informative report. Special recognition is extended to Howard Fitts, Accountant, for his tireless effort and sense of commitment that he displayed throughout the report preparation process, and to Cherry, Bekaert & Holland, Certified Public Accountants for their assistance.

I thank the Board of County Commissioners and County Manager John Link for their leadership in making Orange County a fiscally sound, well-governed community.

Respectfully submitted,

Kenneth T. Chavious
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emery

Executive Director

Board of County Commissioners

June 30, 2005



Moses Carey, Jr., Chair

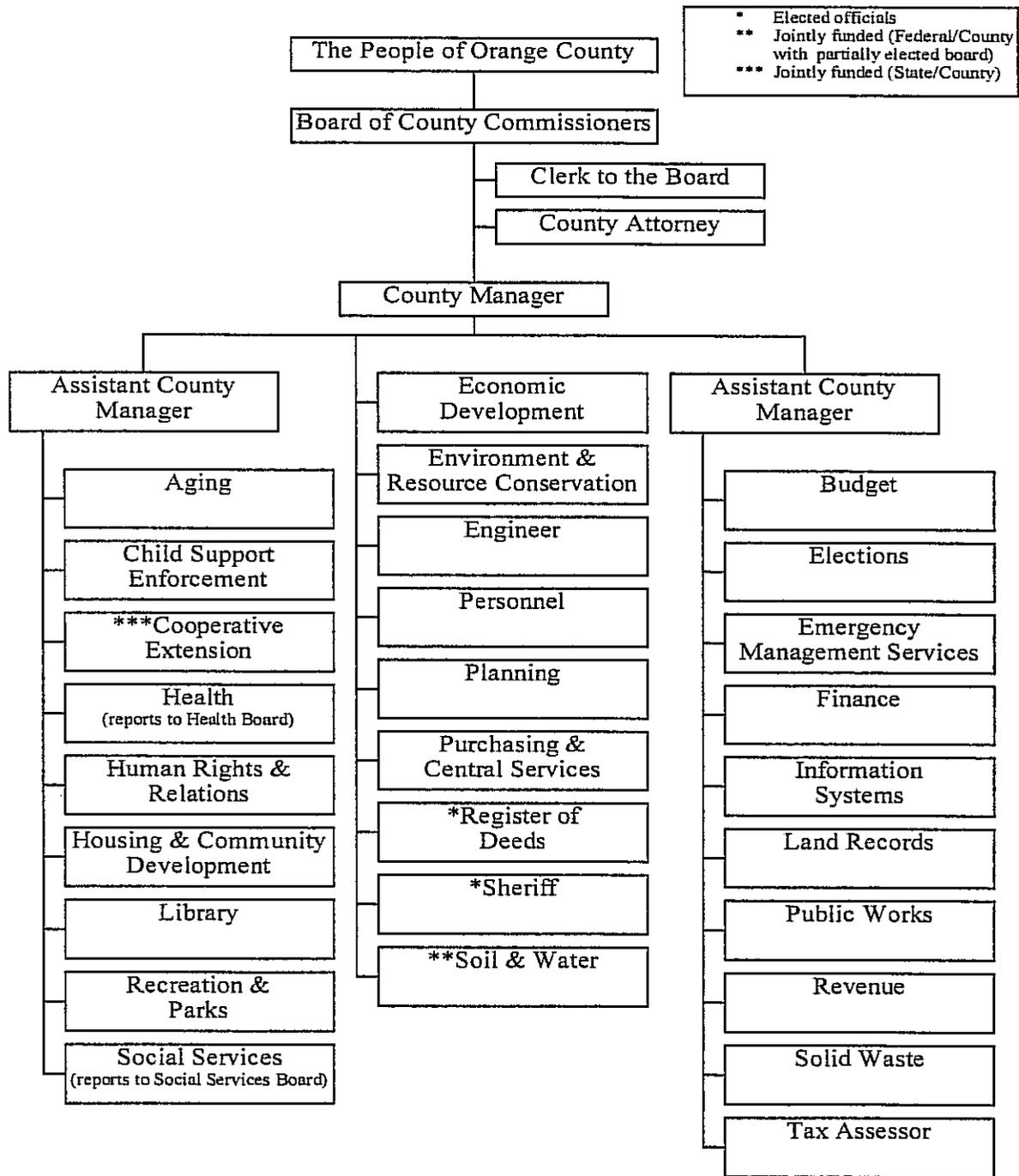
Barry Jacobs, Vice Chair

Valerie P. Foushee

Alice M. Gordon

Stephen H. Halkiotis

Orange County Government



- * Elected officials
- ** Jointly funded (Federal/County with partially elected board)
- *** Jointly funded (State/County)



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Orange County, North Carolina
Hillsborough, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County, North Carolina "the County", as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Orange County ABC Board "the Board". Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors.

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 of material misstatement. The financial statements of the Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2005, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and the impact fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2005 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As discussed in Note P to the financial statements, management of the Board discovered that accumulated depreciation was understated, construction in progress was overstated, and amortized loan costs were understated. Accordingly, the 2004 financial statements have been restated and net assets as of June 30, 2004 have been adjusted to properly reflect the resultant decrease in net assets.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the County. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures in our audit of the basic financial statements and, accordingly, we express no opinion on them.

CHERRY, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland, L.L.P.

Raleigh, North Carolina
October 17, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The County, we offer readers of Orange County's (the "County") financial statements this narrative overview and analysis of the financial activities of The County for the fiscal year ended June 30, 2005. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

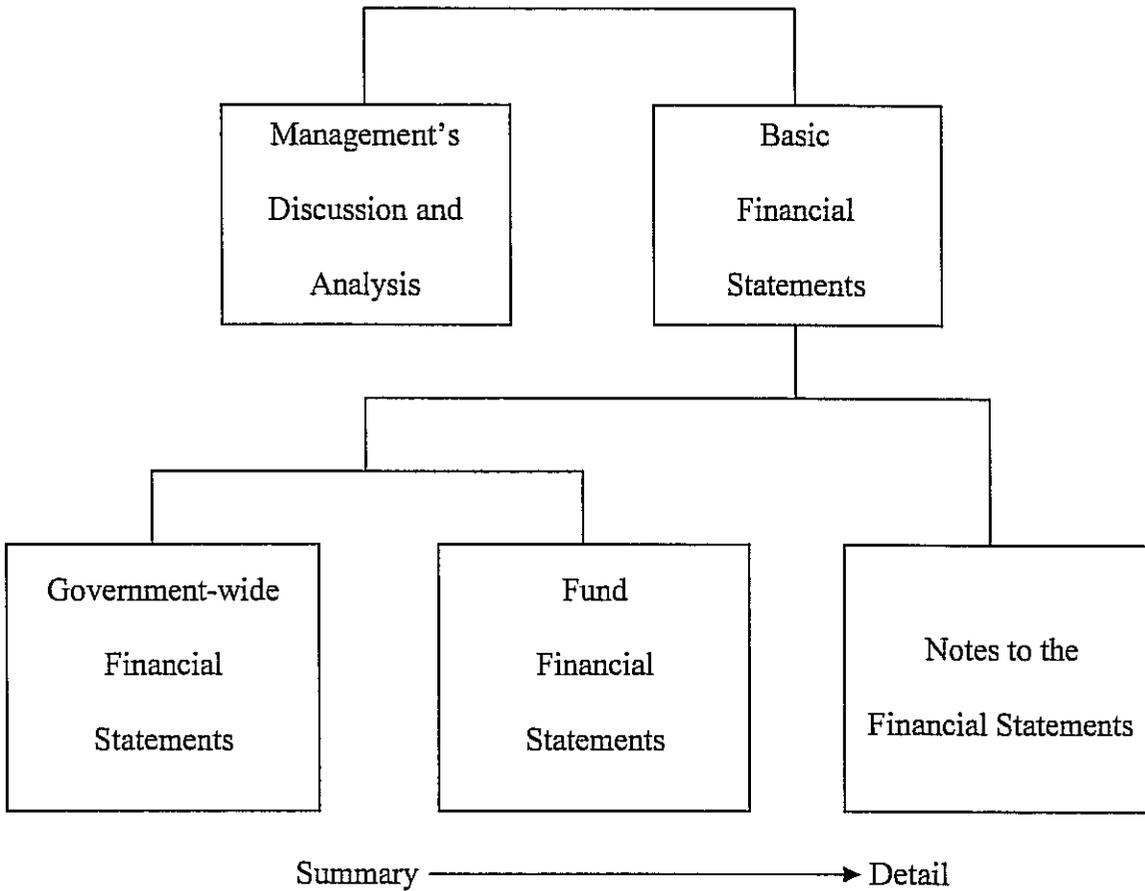
- The liabilities of the County exceeded its assets at the close of the fiscal year by \$(67,659,206) (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$75.5 million in long-term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill-Carrboro City Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a net deficit in net assets.
- The government's total net assets increased by \$712,929. This increase results from an overall increase of 8% in total revenues offset by only a 4% increase in expenditures over the prior year.
- As of the close of the current fiscal year, The County's governmental funds reported combined ending fund balances of \$48,215,142 an increase of \$13,011,425 in comparison with the prior year. This increase results mainly from the receipt of proceeds from debt financing of approximately \$27 million in the current year. Approximately 76 percent of the ending fund balance or \$36,503,127 is available for spending at the government's discretion (*unreserved fund balance*). Of this amount \$17,882,591 has been designated for expenditure and \$18,620,536 is undesignated.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,548,885 or 10 percent of total general fund expenditures for the fiscal year. None of this amount has been designated for subsequent year expenditures.
- The County's total debt increased by \$16,283,344 during the current fiscal year. The County issued \$25,140,000 in bonds and an additional \$2,267,420 in capital leases during the year.
- The County maintained its AAA (Fitch IBCA), Aa1 (Moody's Investor Services) and AA+ (Standard&Poor's) bond rating for the 8th consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to The County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County 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 County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the agency fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gage the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as general administration, taxation and records, community planning, community maintenance, human services, education, public safety and public works. Property and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the sewer and landfill services offered by The County. The final category is the component units. Although legally separate from the County, the ABC Board is important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on Pages 15 and 16 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of The County can be divided into three categories: governmental, proprietary, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund and Impact Fee Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statements provided for the General Fund and the Impact Fee Fund demonstrate how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statements use the budgetary basis of accounting and are presented using the same format, language, and classifications as the Statements of Revenues, Expenditures and Changes in Fund Balance. The statements show four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund and the Impact Fee Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sewer activity and for its landfill operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of The County. The County uses an internal service fund to account for one activity – its employee dental insurance program. Because this operation benefits predominately governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Agency Funds – Agency funds are used to account for assets the County holds on behalf of others. The County has six agency funds.

Notes to the Financial Statements – The notes 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 27 – 58 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning The County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 58 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2005, continues a new era in financial reporting for The County, and many other units of government across the United States. Prior to last fiscal year, The County maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of The County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in The County's financial reports as well as those of many other units of government. While The County was required to implement these changes for the fiscal year ended June 30, 2002, the vast majority of other units in the State of North Carolina were not required to implement until 2003 or 2004.

The County's Net Assets

Figure 2

ORANGE COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 57,997,129	\$ 43,322,858	\$ 6,010,506	\$ 4,069,555	\$ 64,007,635	\$ 62,066,684
Capital assets	32,955,650	31,729,589	7,319,756	7,743,102	40,275,406	39,472,691
Total assets	<u>90,952,779</u>	<u>75,052,447</u>	<u>13,330,262</u>	<u>11,812,657</u>	<u>104,283,041</u>	<u>101,539,375</u>
Long-term liabilities outstanding	156,101,917	140,350,461	6,648,018	6,116,130	162,749,935	146,466,591
Other liabilities	8,654,118	7,795,572	538,194	243,775	9,192,312	8,039,347
Total liabilities	<u>164,756,035</u>	<u>148,146,033</u>	<u>7,186,212</u>	<u>6,360,405</u>	<u>171,942,247</u>	<u>154,505,938</u>
Net assets:						
Invested in capital assets, net of related debt	(2,329,884)	6,033,496	5,331,054	6,034,422	3,001,170	12,067,918
Restricted	-	500,511	-	-	-	500,511
Unrestricted	(71,473,372)	(79,627,593)	812,996	(582,170)	(70,660,376)	(80,209,763)
Total net assets	<u>\$ (73,803,256)</u>	<u>\$ (73,093,586)</u>	<u>\$ 6,144,050</u>	<u>\$ 5,452,252</u>	<u>\$ (67,659,206)</u>	<u>\$ (67,641,334)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of The County exceeded assets by \$67,659,206 as of June 30, 2005. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$3,001,170, Restricted net assets of \$- and Unrestricted net assets \$(70,660,376).

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its 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. At June 30, 2005, the decrease in this category of net assets is due to a combination of depreciation expense and debt financing for current year capital asset additions.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used.

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2005, the total net deficit reported of \$67,659,206 is primarily attributable to the unrestricted net deficit balance of \$70,660,376.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the two school systems located within the County. Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$75.5 million of the outstanding general obligation debt on the County's financial statements was related to assets included in the school system's financial statements. In addition, another \$20.8 million in non-general obligation debt is School related. However, since the majority of this school system related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due. The majority of the non-general obligation debt is repaid from School systems impact fees.

The improvement in total net assets is attributed to the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.8%, higher than the statewide average of 96.75%
- Full year implementation of the waste reduction and recycling fee significantly enhanced the financial condition of the solid waste enterprise fund.
- Receipt of proceeds from the issuance of general obligation bonds to provide funding for both school system and County capital project initiatives.

The County Changes in Net Assets
Figure 3

ORANGE COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 10,861,457	\$ 10,747,239	\$ 6,847,668	\$ 4,428,918	\$ 17,709,125	\$ 15,176,157
Operating grants and contributions	20,838,946	19,304,008	215,868	191,750	21,054,814	19,495,758
Capital grants and contributions	953,634	60,068	-	-	953,634	60,068
General revenues:						
Property taxes	91,188,353	84,879,390	-	-	91,188,353	84,879,390
Other taxes	20,448,762	19,138,144	-	-	20,448,762	19,138,144
Other	2,966,288	2,446,239	96,679	30,379	3,062,967	2,476,618
Total revenues	<u>147,257,440</u>	<u>136,575,088</u>	<u>7,160,215</u>	<u>4,651,047</u>	<u>154,417,655</u>	<u>141,226,135</u>
Expenses:						
Governing and management	11,633,062	11,581,882	-	-	11,633,062	11,581,882
General services	10,095,265	8,168,947	-	-	10,095,265	8,168,947
Community and environment	8,939,210	9,893,926	-	-	8,939,210	9,893,926
Human services	32,558,212	29,540,568	-	-	32,558,212	29,540,568
Education	58,910,220	61,463,034	-	-	58,910,220	61,463,034
Public Safety	16,685,076	15,781,817	-	-	16,685,076	15,781,817
Culture and recreation	2,430,733	1,918,031	-	-	2,430,733	1,918,031
Interest on long-term debt	6,508,674	6,766,691	-	-	6,508,674	6,766,691
Landfill	-	-	5,766,797	5,456,187	5,766,797	5,456,187
Sewer	-	-	177,477	237,150	177,477	237,150
Total expenses	<u>147,760,452</u>	<u>145,114,896</u>	<u>5,944,274</u>	<u>5,693,337</u>	<u>153,704,726</u>	<u>150,808,233</u>
Increase in net assets before transfers	(503,012)	(8,539,808)	1,215,941	(1,042,290)	712,929	(9,582,098)
Transfers	160,258	46,570	(160,258)	(46,570)	-	-
Increase in net assets	<u>(342,754)</u>	<u>(8,493,238)</u>	<u>1,055,683</u>	<u>(1,088,860)</u>	<u>712,929</u>	<u>(9,582,098)</u>
Net assets, July 1, as previously reported	(73,093,585)	(65,876,370)	5,452,252	6,541,112	(67,641,333)	(59,335,258)
Prior period adjustment	(366,917)	1,276,023	(363,885)	-	(366,917)	1,276,023
Net assets, July 1, as restated	<u>(73,460,502)</u>	<u>(64,600,347)</u>	<u>5,088,367</u>	<u>6,541,112</u>	<u>(68,372,135)</u>	<u>(58,059,235)</u>
Net assets, June 30	<u>\$ (73,803,256)</u>	<u>\$ (73,093,585)</u>	<u>\$ 6,144,050</u>	<u>\$ 5,452,252</u>	<u>\$ (67,659,206)</u>	<u>\$ (67,641,333)</u>

Governmental activities. Governmental activities decreased the County's net assets by \$(342,754). Key elements of this increase are as follows:

- County's continued commitment to fund operations, short and long range needs, and the debt service obligations of the two school systems.
- Increased expenditures in Human Services related to the County's required contribution to Medicaid Programs and other initiatives in the departments of Health and Social Services.
- Increased expenditures in Public Safety related to Emergency Medical Transportation services and Law enforcement initiatives in the Sheriff's Department.
- Increases are also noted in most other County departments resulting from the implementation of a new pay and classification plan for County employees.
- These decreases were offset by a \$4.5 million increase in Property taxes due to upward adjustments to property valuations and a tax rate increase of 1.5 cent. .

Business-type activities: Business-type activities increased the County's net assets by \$1,055,683, offsetting the decrease reflected in governmental activities. The majority of the increase is the result of the implementation of a new waste reduction, reuse and recycling fee.

Financial Analysis of the County's Funds

As noted earlier, The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, undesignated fund balance of the General Fund was \$13,548,885, while total fund balance reached \$21,160,730. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 10.2 percent of total General Fund expenditures and transfers, while total fund balance represents 16.0 percent of that same amount.

At June 30, 2005, the governmental funds of the County reported a combined fund balance of \$48,215,142, a 37.0 percent increase from last year. This increase can be attributed mainly to the receipt of proceeds from the issuance of debt financing of approximately \$27 million in the capital projects funds.

General Fund Budgetary Highlights:

During the 2005 budget year, the County had several noteworthy operational milestones in the area of general fund operations. Once again, the County's annual contribution to public schools placed the County, by a wide margin, at the top of the rankings per pupil in expenditures among North Carolina's 100 counties. The Orange County and Chapel Hill- Carrboro City Schools continued to use these fund very effectively, compiling overall impressive results in student achievement test and solidifying the reputations of both systems as excellent learning environments for young people.

In fiscal year 2005, the county's contribution to education funding, including operations, short and long range capital needs and debt service obligations, totaled \$58.9 million, over a third of the total governmental funds expenditures for the year.

The County 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. Total amendments to the General Fund increased revenues and expenditures by approximately \$1.7 million.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Landfill Fund at the end of the fiscal year amounted to \$936,526 and those for the Efland Sewer Fund equaled \$(123,530). The total growth (decline) in net assets for both funds was \$1,089,709 and (\$34,026) respectively. The primary factor affecting the growth in the Solid Waste Landfill Fund was addressed in the discussion of the County's business-type activities.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, totals \$40,275,406 (net of accumulated depreciation). These assets include Land, buildings, automotive equipment, office and other equipment, and sewer lines.

Major capital asset transactions during the year include:

- Purchased various office equipment for day-to-day operations.
- Purchased Landfill equipment.
- Completed major renovation to County facilities.
- Purchased Sheriff vehicles as well as ambulances in the Public Safety area
- Acquired open space and conservation easements.

**The County's Capital Assets
Figure 4**

**ORANGE COUNTY'S CAPITAL ASSETS
(net of depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
Land	\$	9,883,007	\$	1,359,747	\$	11,242,754
Land Improvements		-		227,645		227,645
Water Resources - Lake Orange		481,624		-		481,624
Buildings		12,951,141		665,163		13,616,304
Water Lines		-		-		-
Sewer Lines		-		891,362		891,362
Automotive equipment		1,095,961		-		1,095,961
Office and other equipment		1,128,044		2,380,209		3,508,253
Construction in progress		7,415,873		1,795,630		9,211,503
Total	\$	32,955,650	\$	7,319,756	\$	40,275,406

Additional information on the County's capital assets can be found in Note C of the Basic Financial Statements.

Long-term Debt. As of June 30, 2005, The County had total bonded debt outstanding of \$125,810,000 all of which is debt backed by the full faith and credit of the County. In addition to a small capital lease, the County has several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

**General Obligation, Capital Leases and Installment Notes Payable
Figure 5**

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 125,810,000	\$ 107,585,000	\$ -	\$ -	\$ 125,810,000	\$ 107,585,000
Obligations under capital leases	2,107,612	378,758	1,152,360	613,794	3,259,972	992,552
Installment note payable	24,565,678	28,610,895	836,342	1,094,886	25,402,020	29,705,781
Bond issuance items, net	413,010	638,921			413,010	638,921
Accrued compensated absences	2,682,720	2,621,231	142,105	135,204	2,824,825	2,756,435
Separation allowance	522,897	515,656			522,897	515,656
Post closing liability	-	-	4,517,211	4,272,246	4,517,211	4,272,246
Total long-term debt	\$ 156,101,917	\$ 140,350,461	\$ 6,648,018	\$ 6,116,130	\$ 162,749,935	\$ 146,466,591

The County's total debt increased by \$16,283,344 or 11.1 % during the past fiscal year. The increase is due to mainly to issuance of bonds and capital leases

The County's most recent bond ratings, received in connection with the general obligation issue in July of 2005, are shown below:

Moody's Investor Services	Aa1
Standard & Poor's	AA+
Fitch IBCA	AAA

This bond rating is a clear indication of the sound financial condition of The County. The County is one of the few counties in the country that maintains the highest financial rating from both major rating agencies. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for The County is \$654 million. The County has \$5,700,000 in bonds authorized but un-issued at June 30, 2005.

Additional information regarding The County's long-term debt can be found in Note E on pages 42-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The County's economy is characterized by a high degree of institutional and public-sector activity, plus office, commercial and service-oriented business. Manufacturing and agriculture are smaller portions of the County's economy.

The County enjoys a consistently low unemployment rate. The unemployment rate estimated by the North Carolina Employment Security Commission for June 2005 was 3.6%, one of the lowest in the State. (State average was 5.1%)

The University of North Carolina at Chapel Hill and University Hospitals in the Town of Chapel Hill and their associated service, teaching and research programs have a reputation for excellence in the educational and medical fields. The County is also the place of residence for many technical, professional and executive people who work in the Research Triangle Park and neighboring cities of Durham, Raleigh, and Burlington.

The Research Triangle refers to an area located among three municipalities: Chapel Hill, Durham and Raleigh. In addition to the University of North Carolina at Chapel Hill, universities located in these municipalities include Duke University and North Carolina Central University in the City of Durham and North Carolina State University in the City of Raleigh. The proximity of these universities makes the Research Triangle area well-suited to many types of research activities.

The Research Triangle Park (the "Park"), located 10 miles east of the County, contains 7,000 acres of land which has been reserved for research and research-oriented manufacturing. Since its inception in the 1950's, over 131 private and governmental organizations have located facilities in the Park.

According to the Research Triangle Foundation, the Park represents a capital investment exceeding \$2 billion. As of December 2004, approximately 38,000 people (44,000 including contract employees) were employed at the Park with an annual payroll of approximately \$2.7 billion with an average salary of \$56,000. Approximately 50% of the employees in the Park work for multinational corporations. Because of its close proximity to the County and the fact that many of the Parks' employees reside in the County, the impact of the Park on the County's economy is significant.

Budget Highlights for the Fiscal Year Ending June 30, 2006:

Governmental Activities: The County has approved a \$149.8 million general fund budget for fiscal year 2006 which represents a \$13.4 million or 9.8% increase over fiscal year 2005. This will be accomplished by a 4.5 cent increase in the property tax rate. It is expected that the majority of this increase will be used to pay debt service on bonds and to increase per pupil allocations to the School Systems. Additionally, the County intends to sell the 2001 voter approved bonds to finance the construction of a new High school, purchase and a new middle schools as well as park land and Provision of funding for two senior centers.

Budgeted expenditures for education are expected to increase \$3.2 million for current expense which will increase the per pupil allocation by \$173 to \$2,796. In addition, Business – type Activities: The County has implemented a new fee to help fund the aggressive recycling program in the Solid Waste Enterprise fund. This new fee, waste reduction, reuse and recycling fee, known as the 3R fee, is to generate approximately \$3 million in 2004-2005 and is expected to increase moderately in 2005-2006. There were no budgeted increases in tipping fees in the solid waste fund for mixed solid waste or construction and demolition materials.

Requests for Information

This report is designed to provide an overview of the County'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 Finance, The County, 208 South Cameron Street, P.O. Box 8181, Hillsborough, NC 27278.

Complete financial statements for the ABC Board may be obtained at its administrative office, Orange County ABC Board, 122 Highway 70 East, Hillsborough, NC 27278.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business Type Activities	Total Primary Government	Orange County ABC Board	Total Reporting Unit
Assets					
Cash and investments	\$ 47,200,168	\$ 5,860,710	\$ 53,060,878	\$ 1,143,082	\$ 54,203,960
Receivables - property taxes, net	1,563,909	-	1,563,909	-	1,563,909
Receivables - federal intergovernmental	214,407	-	214,407	-	214,407
Receivables - state intergovernmental	7,344,664	40,242	7,384,906	-	7,384,906
Receivables - other	724,827	312,537	1,037,364	1,276	1,038,640
Inventories	82,251	-	82,251	917,990	1,000,241
Internal balances	202,983	(202,983)	-	-	-
Due from other governments	2,827	-	2,827	-	2,827
Capital assets:					
Nondepreciable	17,780,504	3,155,377	20,935,881	252,238	21,188,119
Depreciable	15,175,146	4,164,379	19,339,525	901,554	20,241,079
Other assets	661,093	-	661,093	56,325	717,418
Total assets	<u>90,952,779</u>	<u>13,330,262</u>	<u>104,283,041</u>	<u>3,272,465</u>	<u>107,555,506</u>
Liabilities					
Accounts payable	4,942,653	469,371	5,412,024	602,302	6,014,326
Payroll withholdings	953,765	51,927	1,005,692	-	1,005,692
Accrued liabilities	1,827,016	16,896	1,843,912	-	1,843,912
Trust accounts	151,958	-	151,958	-	151,958
Unearned revenues	778,726	-	778,726	-	778,726
Long-term liabilities:					
Due in less than one year	13,373,021	587,500	13,960,521	-	13,960,521
Due in more than one year	142,728,896	6,060,518	148,789,414	-	148,789,414
Total liabilities	<u>164,756,035</u>	<u>7,186,212</u>	<u>171,942,247</u>	<u>602,302</u>	<u>172,544,549</u>
Net assets					
Invested in capital assets net of related debt	(2,329,884)	5,331,054	3,001,170	1,153,792	4,154,962
Unrestricted	(71,473,372)	812,996	(70,660,376)	1,516,371	(69,144,005)
Total net assets	<u>\$ (73,803,256)</u>	<u>\$ 6,144,050</u>	<u>\$ (67,659,206)</u>	<u>\$ 2,670,163</u>	<u>\$ (64,989,043)</u>

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2005

Function/Program Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities		Total Reporting Unit
			Operating Grants and Contributions	Contributions		Total	Component Units	
Governmental activities:								
General services	\$ 11,633,062	\$ 1,579,871	\$ 606,449	\$ -	\$ (9,446,742)	\$ -	\$ -	\$ (9,446,742)
Community and environment	10,095,265	2,199,035	82,311	169,479	(7,644,440)	-	-	(7,644,440)
Human services	8,939,210	-	54,676	784,155	(8,100,379)	-	-	(8,100,379)
Education	32,558,212	1,462,386	17,662,911	-	(13,432,915)	-	-	(13,432,915)
Public safety	58,910,220	2,372,280	1,736,140	-	(54,801,800)	-	-	(54,801,800)
Culture and recreation	16,685,076	3,246,845	696,459	-	(12,741,772)	-	-	(12,741,772)
Interest on long-term debt	2,430,733	1,040	-	-	(2,429,693)	-	-	(2,429,693)
Total governmental activities	6,508,674	10,861,457	20,838,946	953,634	(115,106,415)	-	-	(115,106,415)
Total primary government	147,760,552	17,709,125	21,054,814	953,634	(115,106,415)	1,119,262	-	(113,987,153)
Business-type activities:								
Landfill	5,766,797	6,785,189	215,868	-	1,344,260	-	-	1,344,260
Sewer	177,477	62,479	-	-	(114,998)	-	-	(114,998)
Total business-type activities	5,944,274	6,847,668	215,868	-	1,119,262	-	-	1,119,262
Component unit:								
ABC Board	\$ 10,153,464	\$ 10,421,027	\$ -	\$ -	\$ -	\$ -	\$ 267,563	\$ 267,563
Total component unit	\$ 10,153,464	\$ 10,421,027	\$ -	\$ -	\$ -	\$ -	\$ 267,563	\$ 267,563
General revenues:								
Property taxes					91,188,353			91,188,353
Other taxes					20,448,762			20,448,762
Grants and contributions not restricted to specific programs					-			-
Unrestricted investment earnings					1,101,586	93,466		1,195,052
Miscellaneous					1,864,702	3,213		1,867,915
Transfers					160,258	(160,258)		-
Total general revenues and transfers					114,763,661	(66,792)	15,881	114,715,963
Change in net assets					(342,754)	1,055,683	283,444	996,373
Net assets - beginning, as previously reported					(73,093,585)	5,452,252	2,386,719	(65,251,614)
Prior period adjustment					(366,917)	(363,885)	-	(730,802)
Net assets - beginning, as restated					(73,460,502)	5,088,367	2,386,719	(65,985,416)
Net assets - ending					\$ (73,803,256)	\$ 6,144,030	\$ 2,670,163	\$ (64,989,043)

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

ASSETS

	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 18,706,449	\$ 2,794,179	\$ 19,289,670	\$ 3,173,315	\$ 3,073,813	\$ 47,037,426
Accounts receivable - property taxes, net	1,504,324	-	-	-	59,585	1,563,909
Accounts receivable - federal	214,407	-	-	-	-	214,407
Accounts receivable - state	6,474,824	-	784,155	-	85,685	7,344,664
Accounts receivable - other	295,451	274,881	-	-	154,495	724,827
Inventories	82,251	-	-	-	-	82,251
Due from other funds	136,000	-	66,983	-	-	202,983
Due from other governments	2,827	-	-	-	-	2,827
TOTAL ASSETS	\$ 27,416,533	\$ 3,069,060	\$ 20,140,808	\$ 3,173,315	\$ 3,373,578	\$ 57,173,294

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts payable	\$ 2,328,388	\$ -	\$ 374,606	\$ 2,015,635	\$ 224,024	\$ 4,942,653
Payroll withholdings	932,965	-	-	-	20,800	953,765
Accrued liabilities	340,954	-	-	-	7,699	348,653
Trust accounts	151,958	-	-	-	-	151,958
Deferred revenue	2,501,538	-	-	-	59,585	2,561,123
Total liabilities	6,255,803	-	374,606	2,015,635	312,108	8,958,152
Fund balances						
Reserved for inventories	82,251	-	-	-	-	82,251
Reserved for encumbrances	624,561	-	2,324,923	-	409,048	3,358,532
Reserved for State statute	6,905,033	274,881	851,138	-	240,180	8,271,232
Unreserved:						
Designated for subsequent year's expenditures	-	-	16,590,141	1,157,680	134,770	17,882,591
Undesignated	13,548,885	2,794,179	-	-	-	16,343,064
Reported in nonmajor:						
Special revenue	-	-	-	-	2,277,472	2,277,472
Total fund balances	21,160,730	3,069,060	19,766,202	1,157,680	3,061,470	48,215,142
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,416,533	\$ 3,069,060	\$ 20,140,808	\$ 3,173,315	\$ 3,373,578	\$ 57,173,294

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2005

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

Ending fund balance - governmental funds	\$ 48,215,142
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,955,650
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,782,397
Accrued liabilities that do not pay for current financial obligations are not recorded in the governmental funds. This is the amount of accrued interest on long-term debt.	(1,422,474)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the liabilities recorded from the cost to issue debt.	661,093
Internal service funds are used by management to charge the costs of dental insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	106,853
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(156,101,917)</u>
Net assets of governmental activities	<u>\$ (73,803,256)</u>

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 88,974,044	\$ -	\$ -	\$ -	\$ 2,812,320	\$ 91,786,364
Sales tax	19,786,266	-	-	-	-	19,786,266
Intergovernmental revenues	15,393,412	-	1,577,498	-	5,467,731	22,438,641
Charges for services	8,185,379	-	-	-	46,948	8,232,327
Investment earnings	526,505	85,048	432,364	4,925	52,744	1,101,586
Licenses and permits	256,850	-	-	-	-	256,850
Impact fees	-	2,372,280	-	-	-	2,372,280
Miscellaneous	722,213	-	8,692	-	583,979	1,314,884
Total revenues	133,844,669	2,457,328	2,018,554	4,925	8,963,722	147,289,198
Expenditures						
Current:						
Governing and management	6,315,396	-	-	-	-	6,315,396
General services	9,149,309	-	-	-	554,017	9,703,326
Community and environment	3,313,084	-	-	-	5,727,593	9,040,677
Human services	31,426,996	-	-	-	36,040	31,463,036
Education	48,752,268	-	-	-	-	48,752,268
Public safety	13,344,203	-	-	-	2,858,107	16,202,310
Culture and recreation	2,329,396	-	-	-	-	2,329,396
Capital outlay	-	-	9,457,329	10,157,952	-	19,615,281
Debt service:						
Principal	10,825,047	-	241,767	-	-	11,066,814
Interest and fees	6,889,380	-	260	-	-	6,889,640
Issue costs	-	-	-	22,393	-	22,393
Total expenditures	132,345,079	-	9,699,356	10,180,345	9,175,757	161,400,537
Excess (deficiency) of revenues over (under) expenditures	1,499,590	2,457,328	(7,680,802)	(10,175,420)	(212,035)	(14,111,339)
Other financing sources (uses)						
Bonds issuance	-	-	17,576,000	7,564,000	-	25,140,000
Installment loans issuance	-	-	1,820,506	-	-	1,820,506
Transfers in	2,454,825	-	837,465	4,825,266	664,913	8,782,469
Transfers out	(3,749,708)	(3,409,402)	(460,275)	(315,000)	(687,826)	(8,622,211)
Other	-	-	2,000	-	-	2,000
Total other financing sources (uses)	(1,294,883)	(3,409,402)	19,775,696	12,074,266	(22,913)	27,122,764
Net change in fund balances	204,707	(952,074)	12,094,894	1,898,846	(234,948)	13,011,425
Fund balance - beginning	20,956,023	4,021,134	7,671,308	(741,166)	3,296,418	35,203,717
Fund balance - ending	\$ 21,160,730	\$ 3,069,060	\$ 19,766,202	\$ 1,157,680	\$ 3,061,470	\$ 48,215,142

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds \$ 13,011,425

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of the change are as follows:

Capital outlay	4,649,319
Depreciation expense	(1,542,832)
Other Capital adjustments	(845,403)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (44,340)

The issuance of long-term debt (e.g. bonds, installment proceeds) provides current financial resources to governmental funds. This amount is the debt proceeds recorded in the governmental funds. (26,947,509)

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. 352,615

Expenses in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of accrued interest on long-term debt. 63,689

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the principal payments recorded in the governmental funds. 11,038,872

Expenses related to compensated absences and net pension obligation in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of change in these balances in the current year. (68,730)

The internal service fund is used by management to charge the costs of dental insurance costs. (9,860)

Change in net assets of governmental activities \$ (342,754)

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2005

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 91,360,949	\$ 90,038,242	\$ 88,974,044	\$ (1,064,198)
Sales tax	20,065,845	20,065,845	19,786,266	(279,579)
Intergovernmental revenues	12,788,830	14,720,917	15,393,412	672,495
Charges for services	8,244,106	8,073,674	8,185,379	111,705
Investment earnings	460,000	460,000	526,505	66,505
Licenses and permits	231,500	231,500	256,850	25,350
Miscellaneous	467,941	632,588	720,661	88,073
Total revenues	133,619,171	134,222,766	133,843,117	(379,649)
Expenditures				
Current:				
Governing and management	7,681,651	6,832,270	6,315,396	516,874
General services	9,174,589	9,313,716	9,149,309	164,407
Community and environment	3,335,031	3,507,117	3,313,084	194,033
Human services	30,613,221	33,199,016	31,426,996	1,772,020
Education	48,698,814	48,752,268	48,752,268	-
Public safety	13,587,869	13,527,982	13,344,203	183,779
Culture and recreation	2,863,259	2,409,309	2,329,396	79,913
Debt service:				
Principal	10,687,578	10,647,578	10,825,047	(177,469)
Interest and fees	7,112,333	7,112,333	6,889,380	222,953
Total expenditures	133,754,345	135,301,589	132,345,079	2,956,510
Excess (deficiency) of revenues over (under) expenditures	(135,174)	(1,078,823)	1,498,038	2,576,861
Other financing sources (uses)				
Transfers in	2,063,533	2,454,825	2,454,825	-
Transfers out	(3,597,584)	(3,765,060)	(3,749,708)	15,352
Appropriated fund balance	1,669,225	2,389,058	-	(2,389,058)
Total other financing sources (uses)	135,174	1,078,823	(1,294,883)	(2,373,706)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	203,155	\$ 203,155
Fund balance - beginning			20,956,023	
Decrease in reserve for inventory			1,552	
Fund balance - ending			\$ 21,160,730	

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended June 30, 2005

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 85,048	\$ 85,048
Impact fees	970,000	970,000	2,372,280	1,402,280
Total revenues	<u>970,000</u>	<u>970,000</u>	<u>2,457,328</u>	<u>1,487,328</u>
Other financing sources (uses)				
Transfers out	(970,000)	(970,000)	(3,409,402)	(2,439,402)
Total other financing sources (uses)	<u>(970,000)</u>	<u>(970,000)</u>	<u>(3,409,402)</u>	<u>(2,439,402)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(952,074)	<u>\$ (952,074)</u>
Fund balance - beginning			<u>4,021,134</u>	
Fund balance - ending			<u>\$ 3,069,060</u>	

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Funds		Total	Internal Service Fund
	Solid Waste Landfill Fund	Efland Sewer Fund		Dental Insurance Fund
Current assets				
Cash and investments	\$ 5,770,211	\$ 90,499	\$ 5,860,710	\$ 162,742
Accounts receivable - state	40,242	-	40,242	-
Accounts receivable - other	312,537	-	312,537	-
Total current assets	<u>6,122,990</u>	<u>90,499</u>	<u>6,213,489</u>	<u>162,742</u>
Noncurrent assets				
Capital assets, net	6,371,277	948,479	7,319,756	-
Total noncurrent assets	<u>6,371,277</u>	<u>948,479</u>	<u>7,319,756</u>	<u>-</u>
Total assets	<u>12,494,267</u>	<u>1,038,978</u>	<u>13,533,245</u>	<u>162,742</u>
Current liabilities				
Accounts payable	458,325	11,046	469,371	-
Payroll withholdings	51,927	-	51,927	-
Accrued liabilities	16,896	-	16,896	55,889
Due to other funds	-	202,983	202,983	-
Current portion of long-term debt	535,665	-	535,665	-
Compensated absences - current portion	51,835	-	51,835	-
Total current liabilities	<u>1,114,648</u>	<u>214,029</u>	<u>1,328,677</u>	<u>55,889</u>
Noncurrent liabilities				
Compensated absences	90,270	-	90,270	-
Post closing liability	4,517,211	-	4,517,211	-
Long-term debt	1,453,037	-	1,453,037	-
Total noncurrent liabilities	<u>6,060,518</u>	<u>-</u>	<u>6,060,518</u>	<u>-</u>
Total liabilities	<u>7,175,166</u>	<u>214,029</u>	<u>7,389,195</u>	<u>55,889</u>
Net assets				
Invested in capital assets, net of related debt	4,382,575	948,479	5,331,054	-
Unrestricted	936,526	(123,530)	812,996	106,853
Total net assets	<u>\$ 5,319,101</u>	<u>\$ 824,949</u>	<u>\$ 6,144,050</u>	<u>\$ 106,853</u>

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise Funds		Total	Internal Service Fund
	Solid Waste Landfill Fund	Efland Sewer Fund		Dental Insurance Fund
Operating revenues				
Landfill fees	\$ 6,785,189	\$ -	\$ 6,785,189	\$ -
Service fees	-	62,479	62,479	-
Other	3,213	-	3,213	-
Employee contributions	-	-	-	346,848
Total operating revenues	<u>6,788,402</u>	<u>62,479</u>	<u>6,850,881</u>	<u>346,848</u>
Operating expenses				
Landfill	4,020,148	-	4,020,148	-
General and administrative	619,409	140,408	759,817	18,304
Depreciation	837,153	37,069	874,222	-
Post closing cost	244,965	-	244,965	-
Claims expense	-	-	-	341,574
Interest and fees	45,122	-	45,122	-
Total operating expenses	<u>5,766,797</u>	<u>177,477</u>	<u>5,944,274</u>	<u>359,878</u>
Operating income (loss)	<u>1,021,605</u>	<u>(114,998)</u>	<u>906,607</u>	<u>(13,030)</u>
Nonoperating revenue				
Investment earnings	92,494	972	93,466	3,170
Grant - State	215,868	-	215,868	-
Total nonoperating revenue	<u>308,362</u>	<u>972</u>	<u>309,334</u>	<u>3,170</u>
Income (loss) before transfers	<u>1,329,967</u>	<u>(114,026)</u>	<u>1,215,941</u>	<u>(9,860)</u>
Transfers in	-	80,000	80,000	-
Transfers out	(240,258)	-	(240,258)	-
Change in net assets	<u>1,089,709</u>	<u>(34,026)</u>	<u>1,055,683</u>	<u>(9,860)</u>
Net assets - beginning as previously reported	<u>4,593,277</u>	<u>858,975</u>	<u>5,452,252</u>	<u>116,713</u>
Prior period adjustment	<u>(363,885)</u>	<u>-</u>	<u>(363,885)</u>	<u>-</u>
Total net assets - beginning, as restated	<u>4,229,392</u>	<u>858,975</u>	<u>5,088,367</u>	<u>116,713</u>
Total net assets - ending	<u>\$ 5,319,101</u>	<u>\$ 824,949</u>	<u>\$ 6,144,050</u>	<u>\$ 106,853</u>

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise Funds			Internal Service Fund
	Solid Waste Landfill Fund	Effluent Sewer Fund	Total	Dental Insurance Fund
Operating activities				
Cash received from customers	\$ 6,815,544	\$ -	\$ 6,815,544	\$ -
Cash received from assessments	-	62,479	62,479	-
Cash received from federal, state & local agencies	354	-	354	-
Cash received from employee contributions	-	-	-	346,848
Cash paid to employees	(2,097,352)	(131,736)	(2,229,088)	-
Cash paid for goods and services	(2,295,179)	-	(2,295,179)	(34,216)
Cash paid for claims	-	-	-	(333,789)
Net cash provided by (used in) operating activities	2,423,367	(69,257)	2,354,110	(21,157)
Noncapital financing activities				
Transfers to other funds	(240,258)	-	(240,258)	-
Transfers from other funds	-	80,000	80,000	-
Unrestricted grants	215,868	-	215,868	-
Net cash provided (used) by noncapital financing activities	(24,390)	80,000	55,610	-
Capital and related financing activities				
Payments related to the acquisition of capital assets	(814,761)	-	(814,761)	-
Proceeds from the issuance of long-term debt	665,611	-	665,611	-
Payments related to the payment of debt	(385,589)	-	(385,589)	-
Net cash provided (used) by capital and related financing activities	(534,739)	-	(534,739)	-
Investing activities				
Interest payments received	92,494	972	93,466	3,170
Net cash provided (used) in investing activities	92,494	972	93,466	3,170
Net increase in cash and cash equivalents/investments	1,956,732	11,715	1,968,447	(17,987)
Cash and cash equivalents/investments				
Beginning of year	3,813,479	78,784	3,892,263	180,729
End of year	\$ 5,770,211	\$ 90,499	\$ 5,860,710	\$ 162,742
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 1,021,605	\$ (114,998)	\$ 906,607	\$ (13,030)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	837,153	37,069	874,222	-
Post closing cost	244,965	-	244,965	-
Change in assets and liabilities				
Accounts receivable	27,496	-	27,496	-
Accounts payable	285,247	8,672	293,919	(15,912)
Compensated absences	6,901	-	6,901	-
Incurred but not reported reserve	-	-	-	7,785
Total adjustments	1,401,762	45,741	1,447,503	(8,127)
Net cash provided by (used in) operating activities	\$ 2,423,367	\$ (69,257)	\$ 2,354,110	\$ (21,157)
Noncash investing, capital, and financing activities:				
Cash paid for interest	\$ 45,122	\$ -	\$ 45,122	\$ -

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2005

<u>ASSETS</u>	Agency Funds
Cash and investments	\$ 292,559
Accounts receivable - property taxes, net	149,732
Accounts receivable - other	65,809
TOTAL ASSETS	\$ 508,100
<u>LIABILITIES</u>	
Accounts payable	\$ 380,257
Due to library	4,909
Due to cooperative extension	122,934
TOTAL LIABILITIES	\$ 508,100

The accompanying notes are integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orange County, North Carolina (the "County") was founded in 1752 and is located in the north-central portion of North Carolina on the Piedmont Plateau. The County has a commissioner/ manager form of government with a five-member elected Board of Commissioners comprising the governing body. The County provides the following services to its citizens: public health, public safety, mental health, social service programs, cultural and recreational programs, and housing and community development service programs, cultural and recreational programs, and housing and community development programs. In addition, land records and vital statistics information are provided. Elementary and secondary education is provided by the State through locally elected educational boards with the assistance of the County.

1. Reporting Entity

The County is one of the 100 counties established in North Carolina under North Carolina General Statute 154-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The discretely presented component unit noted below is reported in a separate column in the County's financial statements to emphasize that it is legally separate from the County.

Discretely Presented Component Unit

Orange County ABC Board

The Orange County Board of Alcoholic Beverage Control ("ABC Board") operates retail liquor stores within the County and investigates violations of laws pertaining to retail liquor sales. The five members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund.

Complete financial statements for the ABC Board may be obtained at its administrative office.

Orange County ABC Board
122 Highway 70 East
Hillsborough, NC 27278

Orange County Industrial Facility and Pollution Control Financing Authority

Orange County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a three-member board of commissioners, all of who are appointed by the County Commissioners. The County can remove any Commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are 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 presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. 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 County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental funds:

General Fund. This is the County's general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Impact Fee Fund. This fund accounts for fees assessed on new residential developments within the County. These fees are to be used for construction of public school facilities throughout the County.

County Capital Improvements Capital Project Fund. This fund accounts for the financial resources used in the acquisition, renovation and improvement of public facilities.

School Capital Improvements Capital Project Fund. This fund accounts for the financial resources used in the construction, acquisition and renovation of public school facilities.

The County reports the following nonmajor governmental funds: property revaluation, community development, school capital reserve, section 8 housing, grant supported fund, grant projects, emergency telephone system, visitors' bureau, local fire districts, heusner, library development and adoption enhancements.

The County reports the following proprietary funds:

Enterprise Funds. The County reports both of the following enterprise funds as major:

Solid Waste Landfill Fund. This fund is used to account for the revenues and expenses related to the provision of solid waste disposal and recycling activities for the citizens of Orange County.

Efland Sewer Fund. This fund accounts for the revenues and expenses related to the provision of sewer service.

Internal Service Fund. The dental self insurance fund accounts for the dental plan of the County.

The County reports the following fiduciary fund type:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the School District Fund, which accounts for the collection and disbursement of taxes for the Chapel Hill – Carrboro City School District for which the County acts as an agent; the Senior Center Fund, which accounts for the receipt and disbursement of donated funds for the Chapel Hill Senior Center for which the County acts as an agent; the Cooperative Extension 4-H Fund, which accounts for the receipts and disbursement of funds on behalf of the 4-H program advisory board; the Regional Library Fund, which accounts for the receipt and disbursement of funds on behalf of the Hyconeechee Library System for which the County acts as an agent; and the No Fault Well Repair Fund, which accounts for funds made available from American Stone and the Orange Water and Sewer Authority for residents within 3,000 feet of the perimeter of the American Stone quarry to repair or replace residential wells that fail for any reason other than as the probable result of American Stone quarry operation. The Communication Tower Trust Fund is used to account for application fees paid to the County by telecommunication companies. These fees are used to pay costs associated with determining tower location and construction. Unused fees are returned to the telecommunication companies.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Property taxes are not accrued as revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales taxes collected and certain intergovernmental revenues are held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as deferred revenues.

Under the terms of grant agreements, the County 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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

4. Budgetary Control

As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget ordinance for all funds except those authorized by project ordinance. County governmental funds budgeted under project ordinances include the community development and grant projects Special Revenue Funds and the Capital Projects Funds.

The appropriations in the various funds are formally budgeted on a functional basis. The County Manager is authorized to transfer budget amounts within the functional categories in any fund; however, any revisions that alter the total expenditures of any functional category or fund must be approved by the Board of County Commissioners. 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 Commissioners and the budgeted amounts reflected in the statements represent the budget as amended to June 30, 2005. During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made during 2005:

	Original Budget	Total Amendments	Revised Budget
GENERAL FUND	\$ 137,351,929	\$ 1,352,978	\$ 138,704,907
SPECIAL REVENUE FUNDS:			
Property Revaluation	155,611	1,250	156,861
Emergency Telephone System	511,190	274,017	785,207
Visitor's Bureau	730,016	979	730,995
Fire Districts	2,255,782	20,000	2,275,782
ENTERPRISE FUNDS:			
Solid Waste/Landfill	8,011,952	623,410	8,635,362
Efland Sewer Fund	85,000	57,000	142,000

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year's budget.

Open encumbrances are reported as reservations of fund balance at June 30, 2005.

5. Equity in Pooled Cash and Cash Equivalent/Investments

Pooled cash and investments are maintained and used by all funds.

All deposits of the County and the ABC Board are made in board-designated official depositories and are secured as required by general statutes. The County and the ABC Board may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

All of the County's and the ABC Board deposits are required to be collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the County's or the ABC Board's agent in the unit's name. Under the Pooling Method, 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 County and the ABC Board, these deposits are considered to be held by their agent in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest 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 County or the ABC Board of the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depositor using the Pooling Method.

At year-end, the County's deposits had a carrying amount of \$29,640,461 and a bank balance of \$29,755,190. Of the bank balance, \$420,451 was covered by federal depository insurance and \$29,334,739 was covered by collateral held under the Pooling Method. At June 30, 2005, the County had \$5,215 cash on hand.

At year-end, the ABC Board's deposits had a carrying amount of \$1,132,732 and a bank balance of \$1,117,728. Of the bank balance, \$1,117,728 was covered by federal depository insurance. At June 30, 2005, the ABC Board had \$10,350 cash on hand.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General statutes authorize the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC-registered mutual fund. As of June 30, 2005 the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
NC Capital Management Trust – Cash Portfolio	\$23,707,758	N/A	N/A	N/A

At June 30, 2005, the County's investments consisted of \$23,707,758 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The County has no policy on credit risk.

The ABC Board did not have any investments as of June 30, 2005.

6. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Orange County ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

7. Restricted Assets

Unexpended bond and installment purchase proceeds are considered restricted assets because their use is completely restricted to the purpose for which the bonds and installment purchase proceeds were originally issued. Total unspent bond and installment purchase proceeds are \$21,695,245 at June 30, 2005.

8. 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. The allowance for uncollectible taxes receivable in the general fund was \$950,906 at June 30, 2005.

9. Concentrations of Credit Risk

The County and its component unit are engaged primarily in governmental activities. The County performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Inventories

Inventories of the County and the ABC Board are valued at cost (first-in, first-out). The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The General Fund inventories reported on the Balance Sheet are offset by a fund balance reserve which indicates that it does not constitute a resource available for appropriation even though it is a component of net current assets. The inventory of the ABC Board consists of liquor and wine held for sale. The cost of the ABC Board inventory is recorded as an expense as it is sold.

11. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an individual cost of \$5,000 or more. Purchased or constructed capital assets are recorded at original cost at the time of acquisition. Donated capital assets are recorded at their estimated fair value at the time received. Public domain (infrastructure) capital assets have been included in the capital asset balances reported.

The County holds title to certain Orange County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Orange County Board of Education.

Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the County are depreciated on a straight-line basis on the half-year convention over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and land improvements	20 – 30 Years
Automotive equipment	3 – 5 Years
Office and other equipment	5 – 20 Years
Sewer lines	40 Years

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The ABC Board's capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building	25 – 50 Years
Building improvements	10 – 15 Years
Motor vehicles	3 Years
Furniture, fixtures and equipment	3 – 5 Years
Computer	5 Years

Leasehold improvements are depreciated over the terms of the lease agreement.

Upon disposition of an asset of the County and the ABC Board, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

12. Long-term Obligations

In the government-wide financial statements and in the 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 assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

13. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 12 days per year for the first two years up to a maximum of 24 days per year after 20 years. Vacation leave may be accumulated with a maximum until January 31 of each year. On that date, any accumulated vacation leave in excess of 240 hours is converted to sick leave. The maximum amount of vacation leave that can be carried forward to February 1 is 240 hours. At termination, employees are paid for any accumulated vacation leave. In the past, these amounts have typically been paid from the general fund. Accumulated vacation leave and salary related payments at June 30, 2005 amounted to \$2,682,720 for governmental activities and \$142,105 for business-type activities. ABC Board employees may accumulate up to 24 days earned vacation and such leave is fully vested when earned. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent employees of the County earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave for either the County or the ABC Board. Accumulated sick leave for the County at June 30, 2005 amounted to \$9,444,045 in total, \$9,105,239 of which relates to the governmental funds and \$338,806 which relates to the enterprise funds. 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 County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

14. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent 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.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding obligation debt totaling \$97 million incurred for the Orange County and the Chapel Hill-Carrboro City Board's of Education (the "school system"). Under North Carolina law, the County is responsible for providing school system capital funding and has done so using a mixture of County funds and general obligation debt. The deficit results because the debt is recorded on the County's financial statements as the issuing government, while the related assets are owned, operated and recorded in the school system's financial statements.

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governmental fund types fund balances are segregated into the following classifications:

- Reserve for inventories – represents total amount of inventories in the General Fund.
- Reserved for encumbrances – represents commitments for the expenditure of funds under purchase orders and contracts.
- Reserved for State statute – represents the amount of revenue that has been recognized on an accrual basis for financial statement purposes, but which is not available for appropriation in accordance with State statute.
- Designated for subsequent year’s expenditures – represents the amount of fund balance appropriated to the budget for the year ending June 30, 2006.
- Undesignated – represents the amount of fund balance which is available for future appropriations.

15. Comparative Total Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County’s financial position and operations. However, comparative totals and fund type data for the prior year have not been included on all statements, since their inclusion would not provide enhanced understanding of the County’s financial position and operations or would make the statements unduly complex and difficult to read. Certain reclassifications have been made in the prior year’s financial data in order to conform to the presentation of the financial statements for the year ended June 30, 2005.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

17. New Pronouncements

Effective, July 1, 2004, the County adopted GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*” and made conforming changes to the notes to the financial statements for deposits and investments

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

B. PROPERTY TAXES RECEIVABLE

The County's property tax (excluding registered motor vehicles) is levied each July 1 on the assessed value listed as of the prior January 1 for all real and tangible personal property located in the County. Assessed values are established at estimated market value. A revaluation of all real property is required to be performed no less than every eight years. The last revaluation affecting these financial statements was completed for the list on January 1, 1999.

Property taxes, other than taxes for special districts, are levied under the "single tax levy" concept whereby all tax revenues are recorded as revenues of the General Fund.

Property taxes receivable are not recognized as revenue in the fund financial statements because they are not considered to be both measurable and available. The North Carolina general statutes require that property taxes levied as of the beginning of the fiscal year, July 1, are due September 1; however, penalties do not accrue until the following January 6. The lien date is June 1 of each year. On June 30, the end of the fiscal year, property taxes receivable are materially past due and, consequently, cannot be considered a resource with which to pay liabilities of the current period, although the amount due is measurable. Therefore, property taxes receivable are recorded net of an allowance for estimated uncollectible delinquent taxes, with the amount of the net receivable recorded as deferred revenue until collected. These amounts are recorded as revenue in the government-wide statements.

As of January 1, 1993, 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 County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the County's vehicle taxes for vehicles registered in Orange County from March 2004 through February 2005 apply to the fiscal year ended June 30, 2005. Uncollected taxes which were billed during this period are shown as receivable in these financial statements. Those taxes for vehicles register from March 1 through the fiscal year-end apply to the 2005-2006 fiscal year and are not shown as receivables at June 30, 2005.

For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have been collected as of year-end are also reflected as deferred at June 30, 2005 because they are intended to finance the County's operations during the 2006 fiscal year.

As permitted by the North Carolina general statutes, the County has adopted a policy of treating all collection of property taxes which are delinquent in excess of two years as revenues of the General Fund, regardless of the fund for which the tax was originally levied.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balances, as Previously Stated	Prior Period Adjustments*	Beginning Balances as Restated	Increases	Decreases	Ending Balances
Governmental activities						
Capital assets not being depreciated						
Land	\$ 8,628,995	\$ -	\$ 8,628,995	\$ 1,254,012	\$ -	\$ 9,883,007
Water resources – Lake Orange	481,624	-	481,624	-	-	481,624
Construction-in-progress	<u>7,493,448</u>	<u>(498,786)</u>	<u>6,994,662</u>	<u>1,203,886</u>	<u>782,675</u>	<u>7,415,873</u>
Total capital assets not being depreciated	<u>16,604,067</u>	<u>(498,786)</u>	<u>16,105,281</u>	<u>2,457,898</u>	<u>782,675</u>	<u>17,780,504</u>
Capital assets being depreciated						
Buildings	26,326,261	-	26,326,261	782,675	-	27,108,936
Automotive equipment	6,705,546	-	6,705,546	890,611	2,379,832	5,216,325
Other equipment	2,953,971	-	2,953,971	518,135	252,907	3,219,199
Equipment under capital lease	<u>19,450</u>	<u>-</u>	<u>19,450</u>	<u>-</u>	<u>19,450</u>	<u>-</u>
Total capital assets being depreciated	<u>36,005,228</u>	<u>-</u>	<u>36,005,228</u>	<u>2,191,421</u>	<u>2,652,189</u>	<u>35,544,460</u>
Less accumulated depreciation for						
Buildings	13,342,653	-	13,342,653	815,142	-	14,157,795
Automotive equipment	5,465,304	509,314	5,974,618	462,850	2,317,104	4,120,364
Other equipment	2,052,299	26,923	2,079,222	264,840	252,907	2,091,155
Equipment under capital lease	<u>19,450</u>	<u>-</u>	<u>19,450</u>	<u>-</u>	<u>19,450</u>	<u>-</u>
Total accumulated depreciation	<u>20,879,706</u>	<u>\$ 536,237</u>	<u>21,415,943</u>	<u>\$ 1,542,832</u>	<u>\$ 2,589,461</u>	<u>20,369,314</u>
Total capital assets being depreciated, net	<u>15,125,522</u>		<u>14,589,255</u>			<u>15,175,146</u>
Governmental activities capital assets, net	<u>\$31,729,589</u>		<u>\$30,694,536</u>			<u>\$32,955,650</u>

*See note P. Prior Period Adjustment for a description of these items.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governing and management	\$ 42,848
General services	385,790
Community and environment	62,895
Human services	497,610
Public safety	464,934
Culture and recreation	<u>88,755</u>
Total depreciation expense	<u>\$ 1,542,832</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

C. CAPITAL ASSETS (continued)

	Beginning Balances, as Previously Stated	Prior Period Adjustments*	Beginning Balances, As Restated	Increases	Decreases	Ending Balances
Business-type activities						
Solid Waste Landfill						
Capital assets not being depreciated						
Land	\$ 1,244,683	\$ -	\$ 1,244,683	\$ 57,947	\$ -	\$ 1,302,630
Construction-in-progress	<u>1,795,630</u>	<u>-</u>	<u>1,795,630</u>	<u>-</u>	<u>-</u>	<u>1,795,630</u>
Total capital assets not being depreciated	<u>3,040,313</u>	<u>-</u>	<u>3,040,313</u>	<u>57,947</u>	<u>-</u>	<u>3,098,260</u>
Capital assets being depreciated						
Land improvements	3,427,406	-	3,427,406	-	-	3,427,406
Buildings	863,077	-	863,077	-	-	863,077
Equipment	<u>6,193,263</u>	<u>-</u>	<u>6,193,263</u>	<u>756,814</u>	<u>119,083</u>	<u>6,830,994</u>
Total capital assets being depreciated	<u>10,483,746</u>	<u>-</u>	<u>10,483,746</u>	<u>756,814</u>	<u>119,083</u>	<u>11,121,477</u>
Less accumulated depreciation for						
Land improvements	3,013,293	-	3,013,293	186,468	-	3,199,761
Buildings	145,264	9,631	154,895	43,019	-	197,914
Equipment	<u>3,607,948</u>	<u>354,254</u>	<u>3,962,202</u>	<u>607,666</u>	<u>119,083</u>	<u>4,450,785</u>
Total accumulated depreciation	<u>6,766,505</u>	<u>\$ 363,885</u>	<u>7,130,390</u>	<u>\$837,153</u>	<u>\$119,083</u>	<u>7,848,460</u>
Total capital assets being depreciated, net	<u>3,717,241</u>		<u>3,353,356</u>			<u>3,273,017</u>
Total Solid Waste Landfill	<u>\$ 6,757,554</u>		<u>\$ 6,393,669</u>			<u>\$ 6,371,277</u>
Efland Sewer						
Capital assets not being depreciated						
Land and right of way			\$ 57,117	\$ -	\$ -	\$ 57,117
Capital assets being depreciated						
Sewer lines			<u>1,482,786</u>	<u>-</u>	<u>-</u>	<u>1,482,787</u>
Less accumulated depreciation for						
Sewer line			<u>554,355</u>	<u>\$ 37,070</u>	<u>\$ -</u>	<u>591,425</u>
Total capital assets being Depreciated, net			<u>928,431</u>			<u>891,362</u>
Total Efland Sewer			<u>\$ 985,548</u>			<u>\$ 948,479</u>
Business-type activities capital assets, net			<u>\$ 7,379,217</u>			<u>\$ 7,319,756</u>

*See note P. Prior Period Adjustment for a description of these items.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

C. CAPITAL ASSETS (continued)

Orange County ABC Board:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 233,696	\$ 18,542	\$ -	\$ 252,238
Capital assets being depreciated:				
Building and improvements	1,224,348	75,059	-	1,299,407
Store Number 1 Hillsborough	64,000	241	-	64,241
Store Number 2				
Eastgate/Village Plaza	41,131	467	-	41,598
Store Number 3 Chapel Hill				
North	51,117	-	1,086	50,031
Store Number 4 Mebane	46,793	1,248	-	48,041
Store Number 5 Eno	74,919	-	625	74,294
Store Number 6 Carrboro	39,682	9,805	-	49,487
Store Number 9 Carrboro	18,022	-	-	18,022
Warehouse fixtures and equipment	943	1,403	-	2,346
Office furniture, fixtures and equipment	56,245	-	18,353	37,892
Motor vehicles	66,594	-	-	66,594
Total	<u>1,683,794</u>	<u>88,223</u>	<u>20,064</u>	<u>1,751,953</u>
Less accumulated depreciation for:				
Building and improvements	456,151	55,078	-	511,229
Store Number 1 Hillsborough	50,257	4,269	-	54,526
Store Number 2				
Eastgate/Village Plaza	27,504	2,953	-	30,457
Store Number 3 Chapel Hill				
North	28,742	3,678	-	32,420
Store Number 4 Mebane	30,405	4,960	-	35,365
Store Number 5 Eno	54,303	8,899	-	63,202
Store Number 6- Carrboro	29,283	3,987	-	33,270
Store Number 9 Carrboro	4,205	3,605	-	7,810
Warehouse fixtures and equipment	943	-	553	390
Office furniture, fixtures and - equipment	39,514	-	15,130	24,384
Motor vehicles	51,077	6,269	-	57,346
Total	<u>772,384</u>	<u>93,698</u>	<u>15,683</u>	<u>850,399</u>
Total capital assets being depreciated, net	<u>911,410</u>	<u>(5,475)</u>	<u>4,381</u>	<u>901,554</u>
Orange County ABC Board capital assets, net	<u>\$ 1,145,106</u>	<u>\$ 13,067</u>	<u>\$ 4,381</u>	<u>\$ 1,153,792</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

D. DEFERRED/UNEARNED REVENUES

At June 30, 2005 deferred revenues on the fund financial statements and unearned revenue on the government-wide statements consists of the following:

	Deferred Revenue	Unearned Revenue
Net property taxes receivable (General)	\$ 1,504,324	\$ -
Net property taxes receivable (Fire Districts Special Revenue)	59,585	-
Prepaid taxes (General)	778,726	778,726
Other deferred revenue (General)	218,488	-
	\$ 2,561,123	\$ 778,726

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2005:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$107,585,000	\$ 25,140,000	\$ 6,915,000	\$125,810,000	\$ 7,775,000
Obligations under capital					
Leases	378,758	1,807,509	78,655	2,107,612	559,038
Installment notes payable	28,610,895	-	4,045,217	24,565,678	4,105,390
Less deferred amounts on refunding of bonds	(1,840,932)	-	-	(1,840,932)	-
Bond premium on refunding	2,912,272	-	-	2,912,272	-
Accumulated amortization of refunding items	(432,419)	(225,911)	-	(658,330)	-
Accrued compensated absences	2,621,231	995,082	933,593	2,682,720	933,593
Separation allowance	515,656	7,241	-	522,897	-
Total governmental activities	\$140,350,461	\$ 27,723,921	\$ 11,972,465	\$156,101,917	\$ 13,373,021
Business type activities:					
Obligations under capital					
Leases	\$ 613,794	\$ 665,611	\$ 127,045	\$ 1,152,360	\$ 257,885
Installment notes payable	1,094,886	-	258,544	836,342	277,780
Post closing liability	4,272,246	244,965	-	4,517,211	-
Accrued compensated absences	135,204	58,736	51,835	142,105	51,835
Total Business type activities	\$ 6,116,130	\$ 969,312	\$ 437,424	\$ 6,648,018	\$ 587,500

The County issued \$20,595,000 of general obligation refunding bonds during fiscal year ending June 30, 2001, for a refunding of \$20,310,000 of general obligation bonds. These bonds provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$20,310,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$1,029,800. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued in the government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$872,250 and resulted in economic gain of \$677,075. The outstanding amount of the refunded debt at June 30, 2005 was \$16,945,000.

The County issued \$22,815,000 of general obligation refunding bonds during fiscal year ending June 30, 2003, for a refunding of \$23,915,000 of general obligation bonds. These bonds provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the \$23,915,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$811,132. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued in the government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$1,976,038 and resulted in economic gain of \$1,819,931. The outstanding amount of the refunded debt at June 30, 2005 was \$16,315,000.

General long-term debt payable at June 30, 2005 is comprised of the following:

General obligation bonds:

Schools:

2000 School Building serial bonds due in annual installments of \$1,000,000 to \$4,400,000 through April 1, 2018, interest at 5.2% to 5.3%	\$ 29,416,800
2000 Public Building serial bonds due in annual installments of \$100,000 to \$400,000 through April 1, 2018; interest at 5.20% to 5.30%	2,345,000
2000 Parks serial bonds due in annual installments to \$100,000 to \$400,000 through April 1, 2019; interest at 5.20% to 5.30%	2,413,200
2001 School Building serial bonds due in annual installments of \$658,000 to \$662,400 through February 1, 2021; interest at 4.5% to 4.7%	10,512,800

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

2001 Public Building serial bonds due in annual installments of \$164,700 to \$165,600 through February 1, 2021; interest at 4.5% to 4.7%	\$ 2,673,200
2001 Affordable Housing serial bond due in annual installments of \$91,500 to \$92,000 through February 1, 2021; interest at 4.5% to 4.7 %	1,524,000
2003 Public Improvement Bonds due in annual installments of \$650,000 to \$2,200,000 through March 1, 2013; interest at 4.00% to 4.12%	18,525,000
2004 Public Improvement Bonds due in annual installments of \$150,000 through February 1, 2014; interest at 3.25% to 4.25%	4,200,000
2004 Public Improvement Bonds due in annual installments of \$750,000 through February 1, 2014; interest at 3.25% to 4%	20,940,000
Refunding:	
2001 Refunding serial bonds due in annual installments of \$755,000 to \$1,435,000 through February 1, 2014; interest at 4.00% to 5.25%	16,945,000
2003 Refunding serial bonds due in annual installments of \$971,000 to \$3,350,970 through June 1, 2013; interest at 3.00% to 5.00%	<u>16,315,000</u>
Total general obligation bonds	<u>\$ 125,810,000</u>

Obligations under capital leases:

Serviced by governmental funds:

Capitalized equipment lease obligation due in annual installments of \$215,061 which includes interest at 4% through September 1, 2009 (38.1% governmental)	\$ 300,103
Capitalized equipment lease obligation due in semi annual installments of \$194,583 which includes interest at 3.42% through April 20, 2008	1,100,691
Capitalized equipment lease obligation due in semi annual installments of \$46,266 which includes interest at 3.64% through March 22, 2010	419,640
Capitalized equipment lease obligation due in annual installments of \$63,074 which includes interest at 3.22% through September 30, 2009	<u>287,178</u>
Total	<u>2,107,612</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

Serviced by the County's solid waste fund:

Capitalized equipment lease obligation due in annual installments of \$215,061 which includes interest at 4% through September 1, 2009 (61.9% business-type)	\$ 486,749
--	------------

Capitalized equipment lease obligation due in annual installments of \$80,055 which includes interest at 8.22% through December 10, 2009	<u>665,611</u>
--	----------------

Total	<u>1,152,360</u>
-------	------------------

Total capital lease obligations	<u>\$ 3,259,972</u>
---------------------------------	---------------------

Installment notes payable:

Serviced by governmental funds:

Installment note payable due in semi-annual payments of \$480,650 which includes interest at 5.75% based on construction draw through July 1, 2009	\$ 3,597,912
--	--------------

Installment note payable due in semi-annual payments of \$124,403 which includes interest at 4.35% through January 18, 2006	240,939
---	---------

Installment note payable due in semi-annual payments which includes interest at 5.54% through July 23, 2006	214,930
---	---------

Installment note payable due in semi-annual payments which includes interest at 5.05% through July 1, 2008	273,548
--	---------

Installment note payable due in semi-annual payments of \$239,027 which includes interest at 4.92% through February 1, 2006	2,921,776
---	-----------

Installment note payable in semi-annual payments of \$424,980 which includes interest at 4.92% through February 1, 2006	5,258,223
---	-----------

Installment note payable due in semi-annual payments which includes interest at 4.58% through November 1, 2010	8,190,000
--	-----------

Installment note payable due in monthly payments \$6,630 which includes interest at 6.00% through October 1, 2005	26,190
---	--------

Installment note payable due in quarterly payments which includes interest at 5.32% through June 1, 2006	86,198
--	--------

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

Installment notes payable:

Installment note payable due in annual payments of \$143,490 which includes interest at 3.75% through July 1, 2007 (32.4% governmental)	\$ 396,521
Installment note payable due in quarterly payments of \$60,546 to \$142,775 which includes interest at 4.02% to 4.22% through October 1, 2017	2,995,690
Installment note payable due in quarterly payments of \$12,251 to \$17,181 which includes interest at 4.17% through October 7, 2012	<u>363,750</u>
Total	<u>24,565,678</u>

Serviced by the County's solid waste fund:

Installment note payable due in annual payments of \$299,380, which includes interest at 3.75% through July 1, 2007 (67.6% business-type)	<u>836,342</u>
Total installment notes payable	<u>\$ 25,402,021</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

The annual requirements as of June 30, 2005 to amortize outstanding debt and funds available for draw under general obligation bonds, installment purchase contracts, and capital leases, exclusive of accrued compensated absences and the separation allowance, are as follows:

Year Ending June 30	Capital Leases		Installment Purchase Obligations		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:								
2006	\$ 559,038	\$ 68,821	\$ 4,105,390	\$ 1,073,567	\$ 7,775,000	\$ 5,835,053	\$ 12,439,428	\$ 6,977,441
2007	578,752	48,848	3,779,222	887,181	7,830,000	5,483,753	12,187,974	6,419,782
2008	600,239	28,166	3,784,643	712,408	7,785,000	5,129,253	12,169,882	5,869,827
2009	217,832	10,071	3,656,077	541,340	7,730,000	4,776,666	11,603,909	5,328,077
2010	151,751	4,167	3,328,344	368,820	7,685,000	4,418,941	11,165,095	4,791,928
2011-2015	-	-	5,312,865	492,075	38,580,000	16,584,356	43,892,865	17,076,431
2016-2020	-	-	599,137	34,531	36,120,000	7,251,143	36,719,137	7,285,674
2021-2025	-	-	-	-	12,305,000	741,656	12,305,000	741,656
Total	\$ 2,107,612	\$ 160,073	\$ 24,565,678	\$ 4,109,922	\$ 125,810,000	\$ 50,220,821	\$ 152,483,290	\$ 54,490,816
Business-Type Activities:								
2006	\$ 257,885	\$ 38,951	\$ 277,780	\$ 21,600	\$ -	\$ -	\$ 535,665	\$ 60,551
2007	267,127	27,549	288,384	10,996	-	-	555,511	38,545
2008	278,451	17,533	270,178	10,132	-	-	548,629	27,665
2009	270,425	7,142	-	-	-	-	270,425	7,142
2010	78,472	1,272	-	-	-	-	78,472	1,272
Total	\$ 1,152,360	\$ 92,447	\$ 836,342	\$ 42,728	\$ -	\$ -	\$ 1,988,702	\$ 135,175

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 2.7% to 5.4%. These debt obligations are backed by the full faith, credit and taxing power of the County. General Fund revenues are used to repay general long-term debt obligations.

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County may, with certain exceptions, have outstanding net debt, excluding bonds issued for water purposes, in principal amounts not exceeding 8% of the appraised value of property subject to taxation. At June 30, 2005, such statutory limit for the County was approximately \$807 million, providing a legal debt margin of approximately \$654 million.

The ABC Board has no long-term debt as of June 30, 2005.

Bonds authorized but unissued at June 30, 2005 was \$5,700,000.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

E. LONG-TERM OBLIGATIONS (continued)

Conduit Debt Obligations

Orange County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to Mebane Packaging Company for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there is no balance outstanding.

F. COMMITMENTS AND CONTINGENCIES

1. Leases

The County leases ambulances, car and landfill equipment under lease agreements, that are classified as capital leases. Accordingly, the original present value (\$3,465,214) of obligations under these lease agreements along with the present value of the remaining lease payments are included within the statement of activities for governmental activities. The General Fund makes all capital lease payments.

At June 30, 2005, future minimum rental payments due under the capital leases are as follow:

Total minimum lease payments	\$ 3,512,492
Less amount representing interest	<u>252,520</u>
Present value of minimum lease payments	<u>\$ 3,259,972</u>

The total rental paid for all operating leases was \$575,140 for the year ended June 30, 2005. All operating leases are for terms of one year or less and consist principally of office space rentals for various County functions.

2. School Facilities

For fiscal year 2004-05, the Board of County Commissioners approved a capital plan for both the Chapel Hill/Carrboro and Orange County school systems totaling \$66 million over the next 5 years. This amount includes \$26 million in school bonds approved by the voters in November 2001 with the balance coming from projected pay-as-you go capital funds and planned alternative financing sources. The Board adopts project ordinances that commit funding for the first year of the plan. The amount to be allocated for fiscal year 2005-06 is approximately \$29 million.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

F. COMMITMENTS (continued)

3. County Facilities

For fiscal year 2004-05, the Board of County Commissioners approved a capital plan for County projects totaling \$47 million over the next 5 years. This plan will be funded by a combination of \$10 million in bond proceeds approved by the voters in November 2001 and \$16 million in alternative financing sources with the balance from projected pay-as-you-go revenues. The Board adopts project ordinances that commit funding for the first year of the plan. The amount to be allocated for the fiscal year 2005-06 is approximately \$19 million.

4. Federal and State Programs

The County participates in a number of Federal and State of North Carolina financial assistance programs. For the fiscal year ended June 30, 2005, these programs were subjected to audit in accordance with generally accepted auditing standards, Government Auditing Standards, the provisions of OMB Circular A-133, and the State Single Audit Implementation Act. The amount, if any, of expenditures which may be disallowed by the granting agencies resulting from this and other audits cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

5. Lawsuits

The County is involved in several pending lawsuits and claims, which it intends to defend vigorously. In the opinion of the County's attorney and management, the disposition of these matters is not expected to have a material effect on the County's financial position.

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2005:

	<u>Primary Government</u>
For Primary Government:	
Due to:	
General Fund from other funds	\$ 136,000
Capital Project Fund:	
County Capital Project from other fund	<u>66,983</u>
	<u>\$ 202,983</u>
Due from:	
Enterprise Fund:	
Efland Sewer Fund	<u>\$ 202,983</u>

All interfund balances and activities shown above resulted from loans made to supplement other funding sources. These balances are not expected to be repaid within a year.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

G. INTERFUND BALANCES AND ACTIVITIES (continued)

TRANSFERS:

The following is a summary of transfers for the year ended June 30, 2005:

Transfers to:	Transfers from:								
	General Fund	Special Revenue Funds				Capital Projects Funds		Enterprise Fund	Total
		Impact Fee Fund	School Cap Res Fund	Emergency Telephone Fund	Visitors' Bureau Fund	County Cap Improvements Fund	School Cap Improvements Fund	Solid Waste Landfill	
General Fund	\$ -	\$ 970,000	\$ 391,292	\$ 36,000	\$ 42,000	\$ 460,275	\$ 315,000	\$ 240,258	\$ 2,454,825
Special Revenue:									
Property Reval	155,611	-	-	-	-	-	-	-	155,611
Grant Projects	36,768	-	-	-	-	-	-	-	36,768
Community Dev	254,000	-	-	-	-	-	-	-	254,000
Capital Projects:									
County Cap Improvements	837,465	-	-	-	-	-	-	-	837,465
School Cap Improvements	2,385,864	2,439,402	-	-	-	-	-	-	4,825,266
Enterprise Fund:									
Efland Sewer	80,000	-	-	-	-	-	-	-	80,000
Total	\$ 3,749,708	\$ 3,409,402	\$ 391,292	\$ 36,000	\$ 42,000	\$ 460,275	\$ 315,000	\$ 240,258	\$ 8,643,935

All transfers resulted from the need to supplement funding sources.

H. EMPLOYEE RETIREMENT SYSTEMS

1. State Plans

The County participates in retirement systems established by the North Carolina general statutes.

2. Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government 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 LGEDRS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, North Carolina 27699-1410, or by calling (919) 981-5454.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.88% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.99% of annual covered payroll. The contribution requirements of members and of Orange County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2003, 2004, and 2005 were \$1,348,632, \$1,464,254, and \$1,580,053 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2003, 2004, and 2005 were \$42,855, \$50,411 and \$54,245 respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

3. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County'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 for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Active plan members	92
Total	92

Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made form the General Fund, which is maintained on the modified accrual basis of accounting.

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Contributions. The County 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 County'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, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$ 148,323
Interest on net pension obligation	37,385
Adjustment to annual required contribution	<u>(28,927)</u>
Annual pension cost	156,781
Contributions made	<u>149,540</u>
Increase in net pension obligation	7,241
Net pension obligation, beginning of year	<u>515,656</u>
Net pension obligation, end of year	<u><u>\$ 522,897</u></u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost ("APC")</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2005	\$ 156,781	95.38%	\$ 522,897
June 30, 2004	144,681	81.20%	515,656
June 30, 2003	140,850	78.13%	488,450

4. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County 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 County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The plan does not issue a separate stand-alone financial report.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Funding Policy. Article 12 E of G.S. Chapter 143 required the County to contribute each month an amount equal to five percent of each officers' 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, 2005 were \$266,853, which consisted of \$188,830 from the County and \$78,023 from the law enforcement officers.

5. Registers of Deeds' Supplemental Pension Fund

Plan Description. Orange County also contributes to the Registers of Deeds' Supplemental Pension Fund ("Fund"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds that is retired under the Local Government Employees' Retirement System ("LGERs") or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2005, the County's required and actual contributions were \$39,463.

I. POST-EMPLOYMENT BENEFITS FOR COUNTY EMPLOYEES THAT PARTICIPATED IN THE NORTH CAROLINA LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM

In addition to providing pension benefits, the County has elected to provide health benefits to retirees of the County who participate in the North Carolina Local Government Employees' Retirement System ("System") and have at least ten years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 158 retirees are eligible for health benefits. For the fiscal year ended June 30, 2005, the County made payments for health benefit premiums of \$692,032. The County obtains health care coverage through private insurers.

The County has 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. 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 months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

I. POST-EMPLOYMENT BENEFITS FOR COUNTY EMPLOYEES THAT PARTICIPATED IN THE NORTH CAROLINA LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM (continued)

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. 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. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the County made contributions to the State for death benefits of \$28,236. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

J. POST-EMPLOYMENT BENEFITS FOR COUNTY EMPLOYEES THAT PARTICIPATED IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

In addition to providing pension benefits, the County provides health benefits, death benefits and disability benefits to certain employees in accordance with State statutes. These benefits are provided through multiple employer cost-sharing plans administered by the State. Health benefits are provided to retirees of the Teachers' and State Employees' Retirement System ("System") who have at least five years of creditable service under the System. The State pays the full cost of coverage for all retirees enrolled in the State's self-funded Teachers' and State Employees' Comprehensive Major medical Plan and makes similar contributions for retirees enrolled in one of four State health maintenance organization ("HMO") plans. In addition, persons who became surviving spouses of retirees prior to October 1, 1986 receive the same coverage as retirees. Retirees and the aforementioned surviving spouses pay for the additional cost of HMO coverage and for the entire cost of coverage of their dependents. The number of the County's participants who are eligible for health benefits cannot be determined. The health benefit plans are funded by the State on a pay-as-you-go basis.

Death benefits are provided through the Death Benefit Plan for Members of the Teachers' and State Employees' Retirement System ("Death Benefit Plan"), a State-administered plan funded on a one-year term cost basis. Lump sum death benefits are provided to employees (1) who die in active service after one year of contributing membership service in the System, or (2) 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. Currently, the County has 2 retirees and terminated employees who are eligible to receive death benefits. This payment is equal to the employee's highest 12 consecutive months salary during the 24 months prior to his/her death, but must be at least \$25,000 and no more than \$50,000.

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina ("Disability Income Plan"), a State-administered plan, which also is funded on a one-year term cost basis.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

J. POST-EMPLOYMENT BENEFITS FOR COUNTY EMPLOYEES THAT PARTICIPATED IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM (continued)

Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; (2) the employee must have made an application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; and (5) the employee must not be eligible to receive an unreduced retirement benefit from the System. In addition, recipients of long-term disability benefits are eligible to receive State-paid health insurance coverage. The number of the County's participants who are receiving long-term disability benefits cannot be determined. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System.

K. CLOSURE AND POSTCLOSURE CARE COSTS – ORANGE REGIONAL LANDFILL

State and Federal laws and regulations require the Orange Regional Landfill to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the sites stop accepting waste, the Orange Regional Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,517,211 reported as landfill closure and postclosure care liability in the Solid Waste Fund at June 30, 2005, represents the County's cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill site north of Eubank Road and 59.6 percent of the estimated capacity of the landfill site south of Eubank Road. The landfill is currently estimated to continue operating until the 2005 fiscal year. The total estimated cost of closure and postclosure care is approximately \$4,232,154. This amount is based on current estimates of costs to perform all closure and postclosure care. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

The Orange Regional Landfill expects that any future inflation costs will be paid from the Landfill's current Enterprise Funds or would be covered by charges to future landfill users.

The Orange Regional Landfill was required by State and Federal laws and regulations to meet financial assurance requirements effective April 9, 1994 to guarantee the ability to finance closure and postclosure care. The financial assurance requirements can be met by meeting one of several optional financial tests developed and required by the State of North Carolina Department of Environment, Health and Natural Resources.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2005

**K. CLOSURE AND POSTCLOSURE CARE COSTS – ORANGE REGIONAL LANDFILL
 (continued)**

In complying with these regulations during fiscal year 2005, the County has submitted certified statements of Bond Indicators and Ratio Indicators of Financial Strength to the State of North Carolina Department of Environment, Health and Natural Resources.

L. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damaged to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$150 million for any one occurrence, general liability coverage of \$2 million per occurrence and workers' compensation coverage up to the statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to a \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property coverage, and single occurrence losses of \$350,000 for workers' compensation.

There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Orange County ABC Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three fiscal years.

A limited risk management program is also maintained for employees' dental benefits. Premiums are paid into the Dental Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2005, a total of \$361,414 was incurred for benefits and administrative costs.

A summary of the reserve for incurred but unreported claims is as follows:

	<u>Year Ended</u> <u>June 30, 2005</u>	<u>Year Ended</u> <u>June 30, 2004</u>
Unpaid claims, beginning of the year	\$ 48,104	\$ 45,289
Incurred claims	343,110	291,431
Claim payments	<u>(335,325)</u>	<u>(288,616)</u>
Unpaid claims, end of year	<u>\$ 55,889</u>	<u>\$ 48,104</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

M. JOINTLY GOVERNED ORGANIZATION

Orange Water and Sewer Authority

The Orange Water and Sewer Authority is a public authority created under North Carolina law, which was established for the purpose of providing water and sewer service in a defined area within the County. The Authority has a nine member governing body with two members appointed by the Orange County Board of Commissioners, two members appointed by the Board of Aldermen of the Town of Carrboro and five members appointed by the Mayor and Town Council of the Town of Chapel Hill. The County is not responsible for any debt of the Authority or any of its deficits. The County is not entitled to surpluses of the Authority, has no responsibility for the designation of its management, does not have any significant influence over its operations and the Authority is not accountable to the County for fiscal matters.

Triangle Transit Authority

Orange County, in conjunction with other area local governments, is a member of the Research Triangle Regional Public Transportation Authority. Orange County appoints one member to the governing board. The Authority possesses final decision making ability and is solely responsible for the management, budget and fiscal operations of the Authority.

N. JOINT VENTURES

Hyconeechee Regional Library

Public library services with Orange County are provided by a tri-county regional library system. Person County, Orange County and Caswell County each appoint three members to the Regional Library Board. The County is neither responsible for any deficits nor entitled to any surpluses. Since the Library cannot issue long-term debt under North Carolina law, any such debt for the Library would be the responsibility of the counties involved. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30. During 1994, the County accepted accountability for the fiscal matters of the Library. The Library's financial statements are included as an agency fund of the County. Complete financial statements for the Library can be obtained from the Library's offices at 300 West Tryon Street, Hillsborough, North Carolina 27278.

Orange-Person-Chatham Area Mental Health, Mental Retardation and Substance Abuse Authority

Mental health, mental retardation and substance abuse services within the County are provided by a tri-county regional authority. Each county appoints one commissioner to the Authority's sixteen-member Board. The remaining thirteen members are selected by the three appointed commissioners. Since the Authority does not have the power to issue debt obligations, any such obligations would be issued by the counties involved. The County is not responsible for the Authority's deficits and is not entitled to surpluses. It also has no responsibility for the designation of management and does not have significant influence over the operations of the Authority.

ORANGE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2005

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percent of Covered Payroll ((B-A)/C)
12/31/1996	\$ -	\$ 557,637	\$ 557,637	0.00%	\$ 2,634,249	21.17%
12/31/1997	-	710,724	710,724	0.00%	2,677,112	26.55%
12/31/1998	-	784,053	784,053	0.00%	3,108,154	25.23%
12/31/1999	-	839,857	839,857	0.00%	3,202,565	26.22%
12/31/2000	-	1,209,366	1,209,366	0.00%	3,312,265	36.51%
12/31/2001	-	1,306,839	1,306,839	0.00%	3,213,371	40.67%
12/31/2002	-	1,327,292	1,327,292	0.00%	3,679,376	36.07%
12/31/2003	-	1,457,785	1,457,785	0.00%	3,831,410	38.05%
12/31/2004	-	950,669	950,669	0.00%	4,033,569	23.57%

ORANGE COUNTY , NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2005

Year Ended June 30,	Annual Contributions Required	Percentage Contributed
2005	\$ 156,781	78.13%
2004	144,681	81.20%
2003	140,850	78.13%
2002	135,642	75.71%
2001	110,598	61.19%
2000	100,942	27.50%
1999	91,513	27.77%

ORANGE COUNTY , NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2005

NOTE TO THE REQUIRED SCHEDULES:

The information presented in the supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.25%
Projected salary increases	5.9% - 9.8%
Includes inflation at	3.75%
Cost of living adjustments	Not applicable

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Budget	Actual	Positive (Negative) Variance	2004 Actual
Revenues				
Property taxes				
Property tax	\$ 89,598,242	\$ 88,539,870	\$ (1,058,372)	\$ 82,314,040
Tax penalties and interest	390,000	393,989	3,989	407,083
Gross receipts tax	50,000	40,185	(9,815)	39,823
Total property taxes	<u>90,038,242</u>	<u>88,974,044</u>	<u>(1,064,198)</u>	<u>82,760,946</u>
Sales tax				
Local option sales tax	20,065,845	19,786,266	(279,579)	18,589,763
Total sales tax	<u>20,065,845</u>	<u>19,786,266</u>	<u>(279,579)</u>	<u>18,589,763</u>
Intergovernmental Revenues				
Refunds - gasoline tax	55,015	11,432	(43,583)	4,582
Animal tax	110,000	108,825	(1,175)	116,683
Beer and wine tax	206,000	210,399	4,399	203,330
Federal and State grants	13,389,704	14,011,474	621,770	12,906,736
Local grants	446,198	501,464	55,266	381,981
ABC Board Law enforcement distribution	80,000	112,844	32,844	69,939
ABC Board Profit distribution	434,000	436,974	2,974	435,356
Total intergovernmental revenues	<u>14,720,917</u>	<u>15,393,412</u>	<u>672,495</u>	<u>14,118,607</u>
Charges for Services				
Register of deeds	1,808,000	1,840,574	32,574	1,855,500
Land records fees	17,000	11,134	(5,866)	14,847
Collection fees	125,000	124,042	(958)	125,516
Health service fees	1,006,285	859,010	(147,275)	808,024
Health permits	431,575	375,118	(56,457)	414,939
Recreation fees	121,601	137,776	16,175	124,924
Planning fees	815,903	875,272	59,369	873,441
Human service charges	2,000	1,420	(580)	1,930
Aging fees	276,218	238,031	(38,187)	297,293
EMS fees	1,173,000	1,378,126	205,126	1,160,410
Sheriff and court charges	2,018,427	2,073,618	55,191	1,800,636
Other charges	104,805	115,977	11,172	114,623
Total charges for services	<u>8,073,674</u>	<u>8,185,379</u>	<u>111,705</u>	<u>7,592,083</u>
Investment earnings	460,000	526,505	66,505	221,670
Licenses and Permits				
Privilege licenses	11,500	9,785	(1,715)	11,726
Franchise fees	220,000	247,065	27,065	214,991
Total licenses and permits	<u>231,500</u>	<u>256,850</u>	<u>25,350</u>	<u>226,717</u>
Miscellaneous Revenues				
Donations	62,076	64,016	1,940	11,634
Rent	221,991	231,118	9,127	191,026
Other	348,521	425,527	77,006	314,702
Total other revenues	<u>632,588</u>	<u>720,661</u>	<u>88,073</u>	<u>517,362</u>
Total revenues	<u>134,222,766</u>	<u>133,843,117</u>	<u>(379,649)</u>	<u>124,027,148</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Budget	Actual	Positive (Negative) Variance	2004 Actual
Expenditures				
Governing and Management				
County Commissioners	518,122	475,177	42,945	443,892
County manager	931,238	932,594	(1,356)	907,899
Animal services	986,520	912,204	74,316	2,261
Budget	255,112	260,687	(5,575)	237,452
Personnel	645,240	638,406	6,834	611,737
Finance	414,158	413,356	802	389,096
Purchasing	234,633	240,384	(5,751)	231,675
Central services	1,840,888	1,484,022	356,866	1,464,485
Non-departmental	1,006,359	958,566	47,793	758,369
Total governing and management	<u>6,832,270</u>	<u>6,315,396</u>	<u>516,874</u>	<u>5,046,866</u>
General Services				
Information systems	1,089,252	1,118,172	(28,920)	972,801
Register of deeds	1,025,796	899,831	125,965	916,687
Land records	498,454	489,077	9,377	466,751
Assessor	847,868	780,543	67,325	638,474
Elections	451,070	471,358	(20,288)	322,017
Tax collector	745,954	717,021	28,933	675,972
Buildings and grounds	2,841,873	2,891,362	(49,489)	2,619,764
Motor pool	110,718	136,356	(25,638)	26,015
Sanitation	1,702,731	1,645,589	57,142	1,665,682
Total general services	<u>9,313,716</u>	<u>9,149,309</u>	<u>164,407</u>	<u>8,304,163</u>
Community and Environment				
Planning	2,316,453	2,262,916	53,537	2,140,396
Environmental resource conservation	539,550	456,551	82,999	404,203
Economic development	391,327	335,767	55,560	367,957
Soil and water conservation	259,787	257,850	1,937	241,215
Total community and environment	<u>3,507,117</u>	<u>3,313,084</u>	<u>194,033</u>	<u>3,153,771</u>
Human Services				
Social services	18,518,926	17,930,348	588,578	16,744,776
Health	8,194,430	7,730,267	464,163	7,934,644
Cooperative extension	458,300	457,253	1,047	403,446
Aging	2,472,264	2,314,945	157,319	2,374,592
Human rights and relations	375,324	244,249	131,075	286,238
Child support enforcement	787,288	773,369	13,919	762,882
Mental health	81,362	75,265	6,097	-
Non-departmental	2,311,122	1,901,300	409,822	1,993,948
Total human services	<u>33,199,016</u>	<u>31,426,996</u>	<u>1,772,020</u>	<u>30,500,526</u>
Education				
Current expense	46,736,614	46,736,614	-	44,684,324
Capital outlay	2,015,654	2,015,654	-	1,777,358
Total education	<u>48,752,268</u>	<u>48,752,268</u>	<u>-</u>	<u>46,461,682</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Budget	Actual	Positive (Negative) Variance	2004 Actual
Public Safety				
Sheriff	8,336,430	8,265,598	70,832	8,045,639
Emergency services	5,008,444	4,937,059	71,385	4,667,882
Courts	183,108	141,546	41,562	178,674
Total public safety	<u>13,527,982</u>	<u>13,344,203</u>	<u>183,779</u>	<u>12,892,195</u>
Culture and Recreation				
Recreation and parks	1,457,831	1,362,517	95,314	1,070,512
Library services	951,478	966,879	(15,401)	847,519
Total culture and recreation	<u>2,409,309</u>	<u>2,329,396</u>	<u>79,913</u>	<u>1,918,031</u>
Debt Service				
Principal on bonds				
School bond	5,874,502	5,974,502	(100,000)	5,577,800
County bond	940,498	940,498	-	772,200
Private placement				
Schools	3,087,325	3,086,645	680	3,005,158
County	745,253	823,402	(78,149)	694,194
Total debt service	<u>10,647,578</u>	<u>10,825,047</u>	<u>(177,469)</u>	<u>10,049,352</u>
Interest and Fees				
School bond interest	4,576,817	4,602,534	(25,717)	4,490,005
County bond interest	1,042,519	1,042,519	-	815,745
Private placement interest	1,280,196	1,072,158	208,038	1,231,401
County private placement interest	212,801	172,169	40,632	229,512
School bond fees	-	-	-	142
Total interest and fees	<u>7,112,333</u>	<u>6,889,380</u>	<u>222,953</u>	<u>6,766,805</u>
Total debt service	<u>17,759,911</u>	<u>17,714,427</u>	<u>45,484</u>	<u>16,816,157</u>
Total expenditures	<u>135,301,589</u>	<u>132,345,079</u>	<u>2,956,510</u>	<u>125,093,391</u>
Excess of revenues over (under) expenditures	<u>(1,078,823)</u>	<u>1,498,038</u>	<u>2,576,861</u>	<u>(1,066,243)</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Concluded)
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Budget	Actual	Positive (Negative) Variance	2004 Actual
Other financing sources (uses)				
Transfers in	2,454,825	2,454,825	-	2,975,167
Transfers out	(3,765,060)	(3,749,708)	15,352	(4,231,481)
Appropriated fund balance	2,389,058	-	(2,389,058)	-
Total other financing uses	<u>1,078,823</u>	<u>(1,294,883)</u>	<u>(2,373,706)</u>	<u>(1,256,314)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	203,155	<u>\$ 203,155</u>	(2,322,557)
Fund balance - beginning of year		20,956,023		23,244,195
(Increase) Decrease in reserve for inventory		<u>1,552</u>		<u>34,385</u>
Fund balance -end of year		<u>\$ 21,160,730</u>		<u>\$ 20,956,023</u>

MAJOR FUNDS

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for financial resources that are restricted by law or administrative action to finance particular functions or activities.

Impact Fee Fund - accounts for fees assessed on new residential development within the County. These fees are to be used for the construction of public school facilities throughout the County.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used by the County for the acquisition and/or construction of capital facilities, except those financed by Enterprise Funds.

County Capital Improvements Fund - accounts for financial resources used in the acquisition, renovation and improvement of public facilities.

School Capital Improvements Fund - accounts for financial resources used in the construction, acquisition and renovation of public school facilities.

ORANGE COUNTY, NORTH CAROLINA
IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	Budget	2005 Actual	Variance- Positive (Negative)	2004 Actual
Revenues				
Fees - Orange County Schools	\$ 970,000	\$ 1,178,190	\$ 208,190	\$ 1,038,400
Fees - Chapel Hill, Carrboro Schools	-	1,194,090	1,194,090	1,650,664
Total impact fees	<u>970,000</u>	<u>2,372,280</u>	<u>1,402,280</u>	<u>2,689,064</u>
Investment earnings - Orange County Schools	-	59,328	59,328	12,352
Investment earnings - Chapel Hill, Carrboro Schools	-	25,720	25,720	49,409
Total investment earnings	<u>-</u>	<u>85,048</u>	<u>85,048</u>	<u>61,761</u>
Total revenues	<u>970,000</u>	<u>2,457,328</u>	<u>1,487,328</u>	<u>2,750,825</u>
Other financing uses-				
Transfer out	<u>(970,000)</u>	<u>(3,409,402)</u>	<u>(2,439,402)</u>	<u>(5,789,023)</u>
Excess of revenues over other uses	<u>\$ -</u>	<u>(952,074)</u>	<u>\$ (952,074)</u>	<u>(3,038,198)</u>
Fund balance, beginning of year		<u>4,021,134</u>		<u>7,059,332</u>
Fund balance, end of year		<u>\$ 3,069,060</u>		<u>\$ 4,021,134</u>

ORANGE COUNTY, NORTH CAROLINA
COUNTY CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2005

	Actual						
	Total July 1, 2004	Current Year Increase (Decrease)	Total June 30, 2005	Reported in Prior Years	Closed Out Projects	Current Year	Total To Date
Revenues							
State grants	\$ 3,917,720	2,170,245	\$ 6,087,965	\$ 1,806,543	\$ -	\$ 1,577,498	\$ 3,384,041
Investment earnings	-	-	-	1,139,932	-	432,364	1,572,296
Other	451,320	(450,320)	1,000	911,141	-	8,692	919,833
Total revenues	4,369,040	1,719,925	6,088,965	3,857,616	-	2,018,554	5,876,170
Expenditures							
Buildings	4,313,145	433,117	4,746,262	852,128	-	1,329,600	2,181,728
Improvements	6,380,667	10,882,288	17,262,955	5,955,887	-	1,232,478	7,188,365
Equipment	5,571,393	(516,899)	5,054,494	5,127,234	-	1,428,900	6,556,134
Parks	15,376,131	9,644,535	25,020,666	10,269,010	-	4,441,707	14,710,717
Other	8,452,496	950,491	9,402,987	5,188,944	-	1,024,644	6,213,588
Debt Service							
Principal	191,000	174,276	365,276	438,192	-	241,767	679,959
Interest	-	-	-	13,998	-	260	14,258
Total expenditures	40,284,832	21,567,808	61,852,640	27,845,393	-	9,699,356	37,544,749
Excess (Deficiency) of revenues over expenditures	(35,915,792)	(19,847,883)	(55,763,675)	(23,987,777)	-	(7,680,802)	(31,668,579)
Other financing sources (uses)							
Bonds issuance	16,776,504	16,715,000	33,491,504	15,862,500	-	17,576,000	33,438,500
Installment loan issuance	3,674,300	5,725,782	9,400,082	4,123,126	-	1,820,506	5,943,632
Capital lease issuance	-	-	-	19,450	-	-	19,450
Transfers in	16,220,388	(347,232)	15,873,156	13,793,496	-	837,465	14,630,961
Transfers out	(880,500)	(2,245,667)	(3,126,167)	(2,139,487)	-	(460,275)	(2,599,762)
Appropriated fund balance	125,100	-	125,100	-	-	2,000	2,000
Total other financing sources (uses)	35,915,792	19,847,883	55,763,675	31,659,085	-	19,775,696	51,434,781
Excess of revenue and other financing sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ 7,671,308	\$ -	\$ 12,094,894	\$ 19,766,202
Fund balance, beginning of year						7,671,308	
Fund balance, end of year						\$ 19,766,202	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for financial resources that are restricted by law or administrative action to finance particular functions or activities.

Property Revaluation Fund - required by general statutes for the accumulation of adequate funds for the revaluation of property values every four years.

Community Development Fund - accounts for federal funds used for residential rehabilitation, street improvements, water and sewer, recreational facilities, relocation assistance in low income neighborhoods and affordable housing initiatives. This multi-year project is accounted for on a federal fiscal year basis.

School Capital Reserve Fund - accounts for property tax revenues dedicated to the acquisition of land for future school and park sites.

Section 8 Housing Fund - accounts for the HUD-funded programs, Section 8 Vouchers Program.

Grant Supported Fund - accounts for grants awarded for various County departments on the County's fiscal year basis.

Grant Projects Fund - accounts for grants awarded for various County departments on a federal fiscal year basis.

Emergency Telephone System Fund - accounts for revenues from E-911 subscriber fees and wireless 911 fees and expenditures associated with the purchase and maintenance of emergency communications equipment for the enhanced 911 computer aided dispatch system.

Visitor's Bureau Fund - accounts for proceeds of a 2% County-wide hotel/motel occupancy tax which is used by the Visitor's Bureau to maximize the economic benefit derived from visitors to the County.

Local Fire Districts Fund - accounts for the collection of special fire district taxes that are returned quarterly to the fire districts on a budgeted basis.

Heusner Fund - accounts for donations made by private individuals for use in foster care programs administered by the Department of Social Services.

Library Development Fund - accounts for donations made by private individuals for use in the County library.

Adoption Enhancement Fund - accounts for monies collected by social services from parents for the fees related to the adoption of a child.

ORANGE COUNTY, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2003

ASSETS

	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported Fund	Grant Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Hummer	Literary Development	Adoption Enhancement	Total Nonmajor Governmental Funds
Cash and investments	\$ 131,399	\$ 146,880	\$ 519,145	\$ 95,966	\$ 593	\$ 39,309	\$ 1,202,410	\$ 355,249	\$ 205,434	\$ 8,054	\$ 134,853	\$ 134,491	\$ 3,073,813
Accounts receivable - property taxes, net	-	-	-	-	-	-	-	-	59,585	-	-	-	59,585
Accounts receivable - state	-	-	-	-	70,771	-	14,914	-	-	-	-	-	85,685
Accounts receivable - other	-	-	-	-	-	-	33,126	101,155	-	-	-	20,214	154,495
TOTAL ASSETS	\$ 131,399	\$ 146,880	\$ 519,145	\$ 95,966	\$ 71,364	\$ 39,309	\$ 1,350,480	\$ 456,404	\$ 265,019	\$ 8,054	\$ 134,853	\$ 154,705	\$ 3,373,378

LIABILITIES AND FUND BALANCES

Liabilities	\$ 2,168	\$ 6,123	\$ -	\$ 9,632	\$ 24,571	\$ (25)	\$ 11,249	\$ 18,672	\$ -	\$ -	\$ 134,853	\$ 15,781	\$ 224,024
Accounts payable	1,277	-	-	7,700	9,189	(227)	2,061	-	-	-	-	-	20,000
Payroll withholdings	-	-	-	-	7,699	-	-	-	-	-	-	-	7,699
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	6,123	-	17,332	42,449	(252)	14,110	18,672	59,585	-	134,853	15,781	59,585
Total liabilities	3,445	6,123	-	17,332	42,449	(252)	14,110	18,672	59,585	-	134,853	15,781	312,108
Fund balances	-	39,757	-	328	4,368	65,004	273,818	15,785	-	-	-	10,320	409,148
Reserved for encumbrances	-	-	-	328	4,368	65,004	273,818	15,785	-	-	-	10,320	409,148
Reserved for State statute	-	-	-	-	70,771	-	48,040	101,155	-	-	-	20,214	240,180
Designated for subsequent year's expenditures	73,306	-	-	-	-	-	-	53,220	-	8,054	-	-	134,770
Unassigned	54,538	101,332	519,145	78,306	(46,233)	(25,443)	(1,014,512)	267,472	205,434	-	-	108,390	2,277,572
Total fund balances	127,954	140,232	519,145	78,634	28,905	39,561	1,336,370	437,732	205,434	8,054	-	134,924	3,061,570
TOTAL LIABILITIES AND FUND BALANCES	\$ 131,399	\$ 146,880	\$ 519,145	\$ 95,966	\$ 71,364	\$ 39,309	\$ 1,350,480	\$ 456,404	\$ 265,019	\$ 8,054	\$ 134,853	\$ 154,705	\$ 3,373,378

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported Fund	Grants Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Fleets	Adoption Enhancement	Total Nonmajor Governmental Funds
Revenues												
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 513,486	\$ 2,298,834	\$ -	\$ -	\$ 2,812,320
Intergovernmental revenues	-	256,329	-	4,477,597	504,153	53,765	175,887	-	-	-	-	5,467,731
Charges for services	-	-	-	-	-16,948	-	-	-	-	-	-	46,948
Investment earnings	481	-	15,708	285	-	-	23,209	6,423	3,643	145	2,750	52,744
Miscellaneous	481	124,562	-	-	-	-	375,758	66,956	-	-	16,703	583,979
Total revenues	481	380,891	15,708	4,477,882	551,101	53,765	574,954	386,865	2,302,477	145	19,453	8,963,732
Expenditures												
Current:												
General services	-	554,017	-	-	-	-	-	-	-	-	-	554,017
Community and environment	135,286	-	-	4,495,790	587,266	26,310	-	482,941	-	-	-	5,727,593
Human services	-	-	-	-	-	-	-	-	-	-	36,040	36,040
Public safety	-	-	-	-	(28,302)	151,889	458,738	-	2,275,782	-	-	2,856,107
Total expenditures	135,286	554,017	-	4,495,790	558,964	178,199	458,738	482,941	2,275,782	-	36,040	9,175,757
Excess (deficiency) of revenues over (under) expenditures	(134,805)	(173,126)	15,708	(17,908)	(7,863)	(124,434)	116,216	103,924	26,695	145	(16,587)	(212,025)
Other financing sources (uses)												
Transfers in	155,611	472,534	-	-	36,768	-	-	-	-	-	-	664,913
Transfers out	-	(218,534)	(391,292)	-	-	-	(36,000)	(42,000)	-	-	-	(687,830)
Total other financing sources (uses)	155,611	254,000	(391,292)	-	36,768	-	(36,000)	(42,000)	-	-	-	(22,917)
Net change in fund balances	20,806	80,874	(375,584)	(17,908)	28,905	(124,434)	80,216	61,924	26,695	145	(16,587)	(234,948)
Fund balance - beginning	107,148	59,883	894,729	96,542	-	163,995	1,256,154	375,808	178,739	7,909	155,511	3,296,418
Fund balance - ending	\$ 127,954	\$ 140,757	\$ 519,145	\$ 78,634	\$ 28,905	\$ 39,561	\$ 1,336,370	\$ 437,732	\$ 205,434	\$ 8,054	\$ 138,924	\$ 3,061,470

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - PROPERTY REVALUATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Positive (Negative) Variance	2004 Actual
	Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 481	\$ 481	\$ -
Expenditures				
Community and environment				
Property revaluation				
Personal services	85,341	90,745	(5,404)	142,834
Operations	65,020	38,561	26,459	4,085
Equipment	6,500	5,980	520	-
Total expenditures	<u>156,861</u>	<u>135,286</u>	<u>21,575</u>	<u>146,919</u>
Excess (deficiency) of revenues over expenditures	<u>(156,861)</u>	<u>(134,805)</u>	<u>22,056</u>	<u>(146,919)</u>
Other financing sources				
Transfers in	155,611	155,611	-	193,277
Appropriated fund balance	1,250	-	(1,250)	-
Total other financing sources (uses)	<u>156,861</u>	<u>155,611</u>	<u>(1,250)</u>	<u>193,277</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>20,806</u>	<u>\$ 20,806</u>	<u>46,358</u>
Fund balance, beginning of year		<u>107,148</u>		<u>60,790</u>
Fund balance, end of year		<u>\$ 127,954</u>		<u>\$ 107,148</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2005

	Budget to Date	Reported in Prior Years	Actual	
			Current Year	Total to Date
Revenues				
HUD Grants	\$ 5,728,193	\$ 3,637,094	\$ 232,744	\$ 3,869,838
CDBG grants:				
Richmond Hills	250,000	250,000	-	250,000
Scattered Site	800,000	400,000	-	400,000
HOME partnership	803,600	803,600	-	803,600
IDA	40,000	7,415	23,585	31,000
Investment earnings	1,000	7,561	-	7,561
Program income - HOME	-	378,424	124,562	502,986
Other	159,830	137,111	-	137,111
Total revenues	<u>7,782,623</u>	<u>5,621,205</u>	<u>380,891</u>	<u>6,002,096</u>
Expenditures				
General services				
Administration	1,075,624	537,985	168,218	706,203
Administration - Richmond Hills	250,000	250,000	-	250,000
Administration - Scattered Site	80,000	38,880	-	38,880
Administration - IDA	80,000	26,077	34,823	60,900
Rehabilitation	3,628,872	2,785,767	193,307	2,979,074
Rehabilitation - HOME partnership	453,600	459,133	-	459,133
Rehabilitation - Scattered Site	720,000	359,742	49,169	408,911
Affordable housing - Impact fee reimbursement	2,786,446	2,235,339	108,500	2,343,839
Affordable housing - HOME partnership	150,000	143,500	-	143,500
Public facilities improvement - HOME partnership	200,000	197,098	-	197,098
Total expenditures	<u>9,424,542</u>	<u>7,033,521</u>	<u>554,017</u>	<u>7,587,538</u>
Deficiency of revenues over expenditures	<u>(1,641,919)</u>	<u>(1,412,316)</u>	<u>(173,126)</u>	<u>(1,585,442)</u>
Other financing sources (uses)				
Transfers in	1,937,487	1,523,199	472,534	1,995,733
Transfers out	(309,534)	(51,000)	(218,534)	(269,534)
Appropriated fund balance	13,966	-	-	-
Total other financing sources	<u>1,641,919</u>	<u>1,472,199</u>	<u>254,000</u>	<u>1,726,199</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 59,883</u>	<u>80,874</u>	<u>\$ 140,757</u>
Fund balance, beginning of year			<u>59,883</u>	
Fund balance, end of year			<u>\$ 140,757</u>	

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - SCHOOL CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Positive (Negative) Variance	2004 Actual
	Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 15,708	\$ 15,708	\$ 7,437
Excess of revenues over expenditures	-	15,708	15,708	7,437
Other financing (uses)				
Transfer out	(391,292)	(391,292)	-	(65,000)
Appropriated fund balance	391,292	-	(391,292)	-
Total other financing (uses)	-	(391,292)	(391,292)	(65,000)
Deficiency of revenues over other financing uses	<u>\$ -</u>	<u>(375,584)</u>	<u>\$ (375,584)</u>	<u>(57,563)</u>
Fund balance, beginning of year		<u>894,729</u>		<u>952,292</u>
Fund balance, end of year		<u>\$ 519,145</u>		<u>\$ 894,729</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - SECTION 8 HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Positive (Negative) Variance	2004 Actual
	Budget	Actual		
Revenues				
Federal grants				
Housing vouchers	\$ 4,350,046	\$ 4,477,597	\$ 127,551	\$ 4,319,160
Investment earnings	-	285	285	122
Total revenues	<u>4,350,046</u>	<u>4,477,882</u>	<u>127,836</u>	<u>4,319,282</u>
Expenditures				
Community and environment				
Housing vouchers				
Administration	401,610	408,777	(7,167)	371,819
Assistance payments	3,948,436	4,087,013	(138,577)	3,948,606
Total expenditures	<u>4,350,046</u>	<u>4,495,790</u>	<u>(145,744)</u>	<u>4,320,425</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>(17,908)</u>	<u>\$ (17,908)</u>	<u>(1,143)</u>
Fund balance, beginning of year		<u>96,542</u>		<u>97,685</u>
Fund balance, end of year		<u>\$ 78,634</u>		<u>\$ 96,542</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - GRANT SUPPORTED PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2005

	2005		Positive (Negative) Variance
	Budget	Actual	
Revenues			
Health Grants	\$ 329,524	\$ 281,815	\$ 47,709
Aging	77,344	71,685	5,659
Sheriff	196,221	150,653	45,568
Miscellaneous fees	48,000	46,948	1,052
Total revenues	<u>651,089</u>	<u>551,101</u>	<u>99,988</u>
Expenditures			
Health			
Personal services	295,920	222,830	73,090
Operating	44,503	44,604	(101)
Aging			
Personal services	68,930	72,403	(3,473)
Operating	75,204	54,932	20,272
EMS			-
Personal services	47,299	47,317	(18)
Operating	160,422	116,878	43,544
Total expenditures	<u>692,278</u>	<u>558,964</u>	<u>133,314</u>
Deficiency of revenues over expenditures	<u>(41,189)</u>	<u>(7,863)</u>	<u>(33,326)</u>
Other financing sources			
Transfers in	<u>41,189</u>	<u>36,768</u>	<u>4,421</u>
(Deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>28,905</u>	<u>\$ (28,905)</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 28,905</u>	

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - GRANT PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2005

	Budget to Date	Actual			Total to Date
		Reported in Prior Years	Closed Projects	Current Year	
Revenues					
Social Services Grants	\$ 293,598	\$ 248,233	\$ -	\$ -	\$ 248,233
Health Grants	2,569,479	2,037,635	64,675	(63,575)	1,909,385
Cooperative extension	248,171	93,378	-	-	93,378
Aging	473,526	521,523	-	-	521,523
Hazard mitigation grant	494,057	410,643	-	-	410,643
Sheriff	2,785,140	2,212,993	-	117,340	2,330,333
Planning	270,520	237,278	108,020	-	129,258
Library	15,113	14,971	-	-	14,971
Total revenues	7,149,604	5,776,654	172,695	53,765	5,657,724
Expenditures					
Community and environment					
Personal services	33,182	-	-	-	-
Operating	1,170	8,130	-	13,232	21,362
Social services					
Personal services	237,926	84,329	-	-	84,329
Operating	55,672	57,578	-	-	57,578
Health					
Personal services	1,878,741	1,634,229	147,288	(124)	1,486,817
Operating	742,757	479,179	26,297	530	453,412
Cooperative extension					
Personal services	126,169	138,900	-	10,015	148,915
Operating	122,002	46,230	-	-	46,230
Aging					
Personal services	239,327	272,131	-	-	272,131
Operating	234,199	254,727	-	598	255,325
EMS					
Personal services	90,631	87,782	-	-	87,782
Operating	841,706	738,954	-	-	738,954
Sheriff					
Personal services	2,061,391	2,261,214	-	-	2,261,214
Operating	792,048	47,948	-	151,889	199,837
Planning					
Personal services	306,777	165,297	-	-	165,297
Operating	292,199	278,496	-	-	278,496
Library					
Operating	15,113	12,519	-	2,059	14,578
Total expenditures	8,071,010	6,567,643	173,585	178,199	6,572,257
(Deficiency) of revenues over expenditures	(921,406)	(790,989)	(890)	(124,434)	(914,533)
Other financing sources					
Transfers in	921,406	954,984	890	-	954,094
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 163,995	\$ -	(124,434)	\$ 39,561
Fund balance, beginning of year				163,995	
Fund balance, end of year				\$ 39,561	

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - EMERGENCY TELEPHONE SYSTEM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
State wireless enhanced 911	\$ 112,196	\$ 175,887	\$ 63,691	\$ 170,758
Investment earnings	-	23,309	23,309	9,176
Subscriber fees	346,927	375,758	28,831	377,733
Total revenues	<u>459,123</u>	<u>574,954</u>	<u>115,831</u>	<u>557,667</u>
Expenditures				
Personal services	118,755	118,530	225	99,018
Operations	499,532	289,451	210,081	301,411
Capital outlay	130,920	50,757	80,163	13,760
Total expenditures	<u>749,207</u>	<u>458,738</u>	<u>290,469</u>	<u>414,189</u>
Excess (deficiency) of revenues over expenditures	<u>(290,084)</u>	<u>116,216</u>	<u>406,300</u>	<u>143,478</u>
Other financing sources (uses)				
Transfers out	(36,000)	(36,000)	-	-
Appropriated fund balance	326,084	-	(326,084)	-
Total other financing sources (uses)	<u>290,084</u>	<u>(36,000)</u>	<u>(326,084)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>80,216</u>	<u>\$ 80,216</u>	<u>143,478</u>
Fund balance, beginning of year		<u>1,256,154</u>		<u>1,112,676</u>
Fund balance, end of year		<u>\$ 1,336,370</u>		<u>\$ 1,256,154</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - VISITORS' BUREAU FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance - Positive (Negative)	2004 Actual
	Budget	Actual		
Revenues				
Occupancy tax	\$ 440,000	\$ 513,486	\$ 73,486	\$ 391,875
Investment earnings	5,000	6,423	1,423	3,065
Other	88,090	66,956	(21,134)	125,935
Total revenues	<u>533,090</u>	<u>586,865</u>	<u>53,775</u>	<u>520,875</u>
Expenditures				
Community and environment				
Operations	370,202	202,482	167,720	309,898
Personal services	318,095	279,767	38,328	283,161
Capital outlay	698	692	6	5,255
Total expenditures	<u>688,995</u>	<u>482,941</u>	<u>206,054</u>	<u>598,314</u>
Excess (deficiency) of revenues over expenditures	<u>(155,905)</u>	<u>103,924</u>	<u>259,829</u>	<u>(77,439)</u>
Other financing sources (uses)				
Transfers out	(42,000)	(42,000)	-	-
Appropriated fund balance	197,905	-	(197,905)	-
Total other financing sources	<u>155,905</u>	<u>(42,000)</u>	<u>(197,905)</u>	<u>-</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>61,924</u>	<u>\$ 61,924</u>	<u>(77,439)</u>
Fund balance, beginning of year		<u>375,808</u>		<u>453,247</u>
Fund balance, end of year		<u>\$ 437,732</u>		<u>\$ 375,808</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - LOCAL FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance - Positive (Negative)	2004 Actual
	Budget	Actual		
Revenues				
Property taxes - current	\$ 2,196,140	\$ 2,261,719	\$ 65,579	\$ 2,102,895
Property taxes - delinquent	27,148	37,115	9,967	32,002
Investment earnings	5,819	3,643	(2,176)	1,355
Other	-	-	-	11,111
Total revenues	<u>2,229,107</u>	<u>2,302,477</u>	<u>73,370</u>	<u>2,147,363</u>
Expenditures				
Public safety				
Remittances to fire districts	<u>2,275,782</u>	<u>2,275,782</u>	-	<u>2,170,021</u>
(Deficiency) of revenues over expenditures	<u>(46,675)</u>	<u>26,695</u>	<u>73,370</u>	<u>(22,658)</u>
Other financing sources				
Appropriated fund balance	<u>46,675</u>	-	<u>(46,675)</u>	-
(Deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>26,695</u>	<u>\$ 26,695</u>	<u>(22,658)</u>
Fund balance, beginning of year		<u>178,739</u>		<u>201,397</u>
Fund balance, end of year		<u>\$ 205,434</u>		<u>\$ 178,739</u>

ORANGE COUNTY, NORTH CAROLINA
HEUSNER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Variance - Positive (Negative)	Actual 2004
	Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 145	\$ 145	\$ 144
Excess of revenues over expenditures	<u>\$ -</u>	<u>145</u>	<u>\$ 145</u>	<u>144</u>
Fund balance, beginning of year		<u>7,909</u>		<u>7,765</u>
Fund balance, end of year		<u>\$ 8,054</u>		<u>\$ 7,909</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - ADOPTION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005

	Budget to Date	Actual		
		Reported in Prior Year	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 999	\$ 2,750	\$ 3,749
Other	100,769	106,851	16,703	123,554
Total revenues	<u>100,769</u>	<u>107,850</u>	<u>19,453</u>	<u>127,303</u>
Expenditures				
Adoption enhancement	177,714	29,284	36,040	65,324
Excess (deficiency) of revenues over expenditures	<u>(76,945)</u>	<u>78,566</u>	<u>(16,587)</u>	<u>61,979</u>
Other financing sources				
Transfer from other funds	76,945	76,945	-	76,945
Excess over revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 155,511</u>	<u>(16,587)</u>	<u>\$ 138,924</u>
Fund balance, beginning of year			<u>155,511</u>	
Fund balance, end of year			<u>\$ 138,924</u>	

This Page Intentionally Left Blank

MAJOR FUNDS

ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are intended to be self-supporting through charges made to user of the services provided or where the determination of net income is an important factor.

Solid Waste Landfill Fund - accounts for revenues and expenses related to the provision of solid waste disposal and recycling activities for the citizens of Orange County.

Efland Sewer Enterprise Fund - accounts for revenues and expenses related to the provision of sewer service. The financial statements that follow present the two main activities of this fund-operations and construction separately in detailed schedules.

ORANGE COUNTY, NORTH CAROLINA
SOLID WASTE LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005			2004 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Landfill fees	\$ 3,665,425	\$ 3,741,051	\$ 75,626	\$ 3,889,014
Recycling	2,844,022	2,934,290	90,268	357,814
Mulch sales	86,000	109,848	23,848	132,264
Grants - State	175,000	215,868	40,868	191,750
Other	1,000	3,213	2,213	1,546
Investment earnings	40,000	92,494	52,494	28,182
Total revenues	<u>6,811,447</u>	<u>7,096,764</u>	<u>285,317</u>	<u>4,600,570</u>
Expenditures				
Administration	859,391	619,409	239,982	680,026
Landfill	2,035,079	1,833,728	201,351	1,883,219
Recycling	4,596,976	2,638,189	1,958,787	2,070,793
Contract services	549,213	327,190	222,023	352,854
Post closing cost	-	244,965	(244,965)	127,114
Total expenditures	<u>8,040,659</u>	<u>5,663,481</u>	<u>2,377,178</u>	<u>5,114,006</u>
Excess (deficiency) of revenues over expenditures	<u>(1,229,212)</u>	<u>1,433,283</u>	<u>2,662,495</u>	<u>(513,436)</u>
Other financing sources (uses)				
Appropriated fund balance	1,283,933	-	(1,283,933)	-
Installment purchase contract issuance	539,982	553,979	13,997	613,794
Debt service - principal	(354,445)	(309,759)	44,686	(270,174)
Debt service - interest	-	(45,122)	(45,122)	(29,207)
Transfers out	(240,258)	(240,258)	-	(184,070)
Total other financing sources (uses)	<u>1,229,212</u>	<u>(41,160)</u>	<u>(1,270,372)</u>	<u>130,343</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,392,123</u>	<u>\$ 1,392,123</u>	<u>\$ (383,093)</u>
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ 1,392,123		\$ (383,093)
Reconciling items -				
Capital outlay		778,959		498,024
Depreciation		(837,153)		(810,998)
Debt service		309,759		270,174
Installment purchase contract issuance		(553,979)		(613,794)
CHANGE IN NET ASSETS		<u>\$ 1,089,709</u>		<u>\$ (1,039,687)</u>

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2005
With Comparative Totals for the Year Ended June 30, 2004

	2005		Positive (Negative) Variance	2004 Actual
	Budget	Actual		
Revenues				
Service fees	\$ 62,000	\$ 62,479	\$ 479	\$ 49,826
Interest on investments	-	972	972	651
Total Revenues	<u>62,000</u>	<u>63,451</u>	<u>1,451</u>	<u>50,477</u>
Expenditures				
Operations	<u>142,000</u>	<u>140,408</u>	<u>1,592</u>	<u>200,080</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(76,957)</u>	<u>3,043</u>	<u>(149,603)</u>
Other financing sources				
Appropriated fund balance	-	-	-	-
Transfers in	<u>80,000</u>	<u>80,000</u>	-	<u>137,500</u>
Total other financing sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>137,500</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 3,043</u>	<u>\$ 3,043</u>	<u>\$ (12,103)</u>
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ 3,043		\$ (12,103)
Reconciling items - Depreciation		<u>(37,069)</u>		<u>(37,070)</u>
Change in net assets		<u>\$ (34,026)</u>		<u>\$ (49,173)</u>

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
From Inception and for the Year Ended June 30, 2005

	Authorizations			Actual		
	Total July 1, 2004	Current Year Increase (Decrease)	Total June 30, 2005	Reported in Prior Years	Current Year	Total to Date
Revenues						
FmHA grant	\$ 763,387	\$ -	\$ 763,387	\$ 1,176,216	\$ -	\$ 1,176,216
Senate Bill 2 funds	412,829	-	412,829	-	-	-
North Carolina Clean Water Bond grant	-	-	-	-	-	-
Investment earnings	-	-	-	14,970	-	14,970
Gain on retirement of debt	-	-	-	81,764	-	81,764
Tap fees	-	-	-	1,200	-	1,200
Total revenues	1,176,216	-	1,176,216	1,274,150	-	1,274,150
Expenditures						
Construction - in - progress						
Construction	1,251,645	-	1,251,645	1,230,734	-	1,230,734
Engineering and architectural fees	205,000	-	205,000	222,214	-	222,214
Legal and fiscal	-	-	-	-	-	-
Capitalized interest	12,000	-	12,000	22,169	-	22,169
Contingency	63,000	-	63,000	-	-	-
	1,531,645	-	1,531,645	1,475,117	-	1,475,117
Land and right - of - way	10,000	-	10,000	5,990	-	5,990
Legal fees for right - of - way	26,000	-	26,000	46,946	-	46,946
Tap fees	15,000	-	15,000	28,305	-	28,305
Bond retirement costs	-	-	-	-	-	-
Total expenditures	1,582,645	-	1,582,645	1,556,358	-	1,556,358

(Continued)

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) (Concluded)
 From Inception and for the Year Ended June 30, 2005

	Authorizations				Actual	
	Total July 1, 2004	Current Year Increase (Decrease)	Total June 30, 2005	Reported in Prior Years	Current Year	Total to Date
Deficiency of revenues over expenditures	(406,429)	-	(406,429)	(282,208)	-	(282,208)
Other financing sources (uses)						
Bond issuance	200,000	-	200,000	200,000	-	200,000
Transfers in	212,829	-	212,829	211,000	-	211,000
Transfers out	(6,400)	-	(6,400)	(6,400)	-	(6,400)
Total other financing sources (uses)	406,429	-	406,429	404,600	-	404,600
Excess of revenues and other financing sources over expenditures over other financing sources	\$ -	\$ -	\$ -	\$ 122,392	\$ -	\$ 122,392

This Page Intentionally Left Blank

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2005

		<u>ASSETS</u>						
		School District	Senior Center	Cooperative Extension 4-H	Hyconeechee Regional Library	No Fault Well Repair	Communication Tower Trust Fund	Totals
Cash and investments	\$	53,061	\$ -	\$ 134,618	\$ (435)	\$ 92,842	\$ 12,473	\$ 292,559
Accounts receivable - property taxes, net		149,732	-	-	-	-	-	149,732
Accounts receivable - other		-	-	-	5,924	59,885	-	65,809
TOTAL ASSETS	\$	<u>202,793</u>	\$ -	\$ <u>134,618</u>	\$ <u>5,489</u>	\$ <u>152,727</u>	\$ <u>12,473</u>	\$ <u>508,100</u>
		<u>LIABILITIES</u>						
Accounts payable	\$	202,793	\$ -	\$ 11,684	\$ 580	\$ 152,727	\$ 12,473	\$ 380,257
Due to library		-	-	-	4,909	-	-	4,909
Due to cooperative extension		-	-	122,934	-	-	-	122,934
TOTAL LIABILITIES	\$	<u>202,793</u>	\$ -	\$ <u>134,618</u>	\$ <u>5,489</u>	\$ <u>152,727</u>	\$ <u>12,473</u>	\$ <u>508,100</u>

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2005

	July 1, 2004	Additions	Deductions	July 1, 2005
<u>SCHOOL DISTRICT FUND:</u>				
Assets				
Cash and investments	\$ 179,388	\$ 13,178,137	\$ 13,304,464	\$ 53,061
Accounts receivable - property taxes, net	153,840	13,077,912	13,082,020	149,732
Total assets	\$ 333,228	\$ 26,256,049	\$ 26,386,484	\$ 202,793
Liabilities				
Accounts payable	\$ 333,228	\$ 26,256,049	\$ 26,386,484	\$ 202,793
Total liabilities	\$ 333,228	\$ 26,256,049	\$ 26,386,484	\$ 202,793
<u>SENIOR CENTER FUND</u>				
Assets				
Cash and investments	\$ -	\$ 44,334	\$ 44,334	\$ -
Total assets	\$ -	\$ 44,334	\$ 44,334	\$ -
Liabilities				
Accounts payable	\$ -	\$ 44,334	\$ 44,334	\$ -
Total liabilities	\$ -	\$ 44,334	\$ 44,334	\$ -
<u>COOPERATIVE EXTENSION 4-H FUND</u>				
Assets				
Cash and investments	\$ 112,059	\$ 60,183	\$ 37,624	\$ 134,618
Accounts receivable - other	7,988	-	7,988	-
Total assets	\$ 120,047	\$ 60,183	\$ 45,612	\$ 134,618
Liabilities				
Accounts payable	\$ 13,815	\$ 11,684	\$ 13,815	\$ 11,684
Due to cooperative extension	106,232	48,499	31,797	122,934
Total liabilities	\$ 120,047	\$ 60,183	\$ 45,612	\$ 134,618
<u>HYCONEECHEE REGIONAL LIBRARY FUND</u>				
Assets				
Cash and investments	\$ 1,204	\$ 417,730	\$ 419,369	\$ (435)
Accounts receivable - other	17,507	924	12,507	5,924
Total assets	\$ 18,711	\$ 418,654	\$ 431,876	\$ 5,489
Liabilities				
Accounts payable	\$ 14,001	\$ 1,248	\$ 14,669	\$ 580
Due to library	4,710	417,406	417,207	4,909
Total liabilities	\$ 18,711	\$ 418,654	\$ 431,876	\$ 5,489
<u>NO FAULT WELL REPAIR</u>				
Assets				
Cash and investments	\$ 95,842	\$ 17,078	\$ 20,078	\$ 92,842
Accounts receivable - other	39,808	59,885	39,808	59,885
Total assets	\$ 135,650	\$ 76,963	\$ 59,886	\$ 152,727
Liabilities				
Accounts payable	\$ 135,650	\$ 76,963	\$ 59,886	\$ 152,727
Total liabilities	\$ 135,650	\$ 76,963	\$ 59,886	\$ 152,727
<u>COMMUNICATION TOWER TRUST FUND</u>				
Assets				
Cash and investments	\$ 12,247	\$ 226	\$ -	\$ 12,473
Total assets	\$ 12,247	\$ 226	\$ -	\$ 12,473
Liabilities				
Accounts payable	\$ 12,247	\$ 226	\$ -	\$ 12,473
Total liabilities	\$ 12,247	\$ 226	\$ -	\$ 12,473
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 400,740	\$ 13,717,688	\$ 13,825,869	\$ 292,559
Accounts receivable - property taxes, net	153,840	13,077,912	13,090,008	149,732
Accounts receivable - other	65,303	60,809	52,315	65,809
Total assets	\$ 619,883	\$ 26,856,409	\$ 26,968,192	\$ 508,100
Liabilities				
Accounts payable	\$ 508,941	\$ 26,390,504	\$ 26,519,188	\$ 380,257
Due to library	4,710	417,406	417,207	4,909
Due to cooperative extension	106,232	48,499	31,797	122,934
Total liabilities	\$ 619,883	\$ 26,856,409	\$ 26,968,192	\$ 508,100

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2005 and 2004

	2005	2004
Governmental funds capital assets:		
Land	\$ 9,883,007	\$ 8,628,995
Buildings	27,108,936	26,326,261
Water resources - Lake Orange	481,624	481,624
Automotive equipment	5,216,325	6,705,546
Office and other equipment	3,219,199	2,953,971
Equipment under capital lease	-	19,450
Construction-in-progress	7,415,873	7,493,448
Total governmental funds capital assets	\$ 53,324,964	\$ 52,609,295
 Investment in governmental funds capital assets by source:		
Revenue sources prior to July 1, 1984	\$ 3,311,826	\$ 3,311,826
General Fund	36,347,937	36,177,140
Capital Projects Fund		
Federal grants	2,000,000	2,000,000
State grants	684,706	684,706
Local grants	76,078	76,078
Bond proceeds	10,904,417	10,359,545
Total governmental funds capital assets	\$ 53,324,964	\$ 52,609,295

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Continued)
 June 30, 2005

Function and Activity	Land	Buildings	Water Resources	Automotive Equipment	Office and Other Equipment	Total
General Government						
Governing and management						
Animal services	\$ -	\$ -	\$ -	\$ 35,654	\$ 20,307	\$ 55,961
Central services	-	27,108,936	-	19,450	203,031	27,331,417
Total governing and management	-	27,108,936	-	55,104	223,338	27,387,378
General Services						
Information systems	-	-	-	-	1,058,441	1,058,441
Register of deeds	-	-	-	-	257,002	257,002
Land records	-	-	-	-	45,223	45,223
Assessor	-	-	-	-	6,000	6,000
Elections	-	-	-	-	273,565	273,565
Tax collector	-	-	-	-	5,987	5,987
Buildings and grounds	-	-	-	217,758	85,884	303,642
Motor pool	-	-	-	217,664	32,116	249,780
Sanitation	-	-	-	340,252	11,609	351,861
Total general services	-	-	-	775,674	1,775,827	2,551,501
Community and environment						
Planning	-	-	-	153,414	56,815	210,229
Environmental resource conservation	-	-	-	15,283	-	15,283
Soil and water conservation	-	-	481,624	-	-	481,624
Total community and environment	-	-	481,624	168,697	56,815	707,136
Human Services						
Social services	-	-	-	96,865	84,659	181,524
Health	-	-	-	305,756	174,329	480,085
Cooperative extension	-	-	-	21,236	-	21,236
Aging	-	-	-	850,328	15,454	865,782
Human rights and relations	-	-	-	-	6,675	6,675
Non-departmental	-	-	-	-	6,818	6,818
Total human services	-	-	-	1,274,185	287,935	1,562,120

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Concluded)
June 30, 2005

Function and Activity	Land	Buildings	Water Resources	Automotive Equipment	Office and Other Equipment	Total
Public Safety						
Sheriff	\$ -	\$ -	\$ -	\$ 1,239,632	\$ 120,424	\$ 1,360,056
Emergency services	-	-	-	1,534,928	639,776	2,174,704
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,774,560</u>	<u>760,300</u>	<u>3,534,760</u>
Culture and recreation						
Recreation and parks	9,883,007	-	-	139,882	75,289	10,098,178
Library services	-	-	-	28,223	39,795	68,018
Total public works	<u>9,883,007</u>	<u>-</u>	<u>-</u>	<u>168,105</u>	<u>115,084</u>	<u>10,166,196</u>
Total fixed assets allocated to functions	<u>\$ 9,883,007</u>	<u>\$ 27,108,936</u>	<u>\$ 481,624</u>	<u>\$ 5,216,325</u>	<u>\$ 3,219,199</u>	<u>\$ 45,909,091</u>
Construction-in-progress						<u>7,415,873</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS						<u><u>\$ 53,324,964</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (Continued)
Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Additions/ Transfers	Retirements/ Transfers	Governmental Funds Capital Assets June 30, 2005
General Government				
Governing and management				
Animal services	\$ 35,707	\$ 26,654	\$ 6,400	\$ 55,961
Budget	6,789	-	6,789	-
Central services	26,396,292	915,675	(19,450)	27,331,417
Total governing and management	<u>26,438,788</u>	<u>942,329</u>	<u>(6,261)</u>	<u>27,387,378</u>
General Services				
Information systems	1,058,441	-	-	1,058,441
Register of deeds	327,672	-	70,670	257,002
Land records	221,480	-	176,257	45,223
Assessor	19,853	-	13,853	6,000
Elections	273,565	-	-	273,565
Tax collector	5,987	-	-	5,987
Buildings and grounds	336,192	24,265	56,815	303,642
Motor pool	293,253	77,040	120,513	249,780
Sanitation	591,234	-	239,373	351,861
Total general services	<u>3,127,677</u>	<u>101,305</u>	<u>677,481</u>	<u>2,551,501</u>
Community and environment				
Planning	240,797	-	30,568	210,229
Environmental resource conservation	15,283	-	-	15,283
Soil and water conservation	481,624	-	-	481,624
Total community and environment	<u>737,704</u>	<u>-</u>	<u>30,568</u>	<u>707,136</u>
Human Services				
Social services	234,952	-	53,428	181,524
Health	473,707	13,779	7,401	480,085
Cooperative extension	21,236	-	-	21,236
Aging	1,499,090	-	633,308	865,782
Human rights and relations	6,675	-	-	6,675
Non-departmental	12,678	-	5,860	6,818
Total human services	<u>2,248,338</u>	<u>13,779</u>	<u>699,997</u>	<u>1,562,120</u>

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (Concluded)
Year Ended June 30, 2005

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Additions/ Transfers	Retirements/ Transfers	Governmental Funds Capital Assets June 30, 2005
Public Safety				
Sheriff	\$ 2,281,743	\$ 111,442	\$ 1,033,129	\$ 1,360,056
Emergency services	1,423,774	935,200	184,270	2,174,704
Total public safety	<u>3,705,517</u>	<u>1,046,642</u>	<u>1,217,399</u>	<u>3,534,760</u>
Culture and recreation				
Recreation and parks	8,785,505	1,326,228	13,555	10,098,178
Library services	52,868	15,150	-	68,018
Total public works	<u>8,838,373</u>	<u>1,341,378</u>	<u>13,555</u>	<u>10,166,196</u>
Total fixed assets allocated to functions	45,096,397	3,445,433	2,632,739	45,909,091
Equipment under capital lease	19,450	-	19,450	-
Construction-in-progress	<u>7,493,448</u>	<u>1,203,886</u>	<u>1,281,461</u>	<u>7,415,873</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 52,609,295</u>	<u>\$ 4,649,319</u>	<u>\$ 3,933,650</u>	<u>\$ 53,324,964</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
 June 30, 2005

Fiscal Year	Uncollected Balance June 30, 2004	Additions	Collections and Credits	Discoveries Abatements Adjustments	Uncollected Balance June 30, 2005
2005	\$ -	\$ 88,749,583	\$ (87,687,321)	\$ -	\$ 1,062,262
2004	1,045,909	-	(748,741)	(43,363)	253,805
2003	295,815	-	(108,251)	(9,698)	177,866
2002 and prior	1,123,265	-	(95,456)	(66,512)	961,297
	<u>\$ 2,464,989</u>	<u>\$ 88,749,583</u>	<u>\$ (88,639,769)</u>	<u>\$ (119,573)</u>	2,455,230

Less: Allowance for doubtful accounts (950,906)

Ad Valorem taxes, net \$ 1,504,324

Reconciliation with Revenues:

Property taxes - General Fund	\$ 88,539,870
Reconciling items:	
Releases and adjustments	<u>99,899</u>
	<u>\$ 88,639,769</u>

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF CURRENT TAX LEVY
 Year Ended June 30, 2005

Levy*	Property Valuation	Rate Per \$100	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current year rate	\$ 9,797,897,014	0.00880	\$ 86,824,412	\$ 81,858,470	\$ 4,965,942
Motor vehicles taxed at prior year rate	286,229,928	0.00845	1,879,653	-	1,879,653
Late list penalties	-		38,299	38,299	-
Lien advertisement	-		7,219	7,219	-
	<u>\$ 10,084,126,942</u>		88,749,583	81,903,988	6,845,595
Uncollected taxes at June 30, 2005			1,062,262	593,142	469,120
Current year taxes collected			<u>\$ 87,687,321</u>	<u>\$ 81,310,846</u>	<u>\$ 6,376,475</u>
Current year collection percentages			98.80%	99.28%	93.15%

* Levy includes discoveries and abatements

This Page Intentionally Left Blank

STATISTICAL SECTION

The information presented in this section is provided for additional analytical purposes and reflects certain social and economic data as well as financial trends and other fiscal information.

ORANGE COUNTY, NORTH CAROLINA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended June 30,	Governing and Management	General Services	Community and Environment	Human Services	Education	Public Safety	Culture and Recreation	Capital Projects	General Debt Service	Total
1996	\$ 2,684,325	\$ 4,647,612	\$ 1,467,461	\$ 18,053,874	\$ 22,675,309	\$ 7,685,974	\$ 1,031,297	\$ 30,806,355	\$ 9,191,297	\$ 98,243,504
1997	2,909,269	4,874,009	1,590,433	19,256,582	26,228,574	8,345,625	1,117,718	19,886,546	9,298,512	93,507,269
1998	2,972,911	5,081,186	1,625,225	20,408,133	29,054,364	9,156,424	1,142,169	14,016,260	9,825,704	93,282,376
1999	3,040,406	5,365,103	1,662,123	22,108,243	32,372,172	9,463,211	1,168,100	25,847,024	10,430,148	111,456,530
2000	3,495,049	6,183,643	1,910,666	23,309,418	36,580,779	10,088,692	1,342,770	22,747,801	10,175,744	115,834,563
2001	3,671,136	6,466,052	2,006,929	26,174,165	40,493,653	11,336,129	1,410,421	35,320,418	13,526,003	140,404,906
2002	4,058,878	6,910,928	2,218,899	28,460,802	43,008,464	12,306,077	1,559,389	35,406,138	15,370,851	149,300,426
2003	4,860,790	7,724,305	2,657,287	27,771,834	44,150,357	13,345,185	1,867,477	24,427,047	16,209,217	143,013,499
2004	5,380,710	9,322,714	2,941,515	30,377,646	46,461,682	15,520,341	2,067,226	20,903,526	17,059,205	150,034,565
2005	6,315,396	9,149,309	3,313,084	31,426,996	48,752,268	16,202,310	2,329,396	19,615,281	17,978,847	155,082,887

(1) Includes General and Capital Projects Funds and Local Fire Districts Special Revenue Fund.

Certain reclassifications of prior years information have been made on this schedule in order for the schedule to be comparable to the functional expense categories used when adopting the budget in the current year.

ORANGE COUNTY, NORTH CAROLINA
GENERAL GOVERNMENTAL REVENUES BY SOURCES-EXCLUDING TAXES (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Intergovernmental Revenues	Charges for Services	Investment Earnings	Licenses and Permits	Other Revenue	Total
1996	\$ 9,062,272	\$ 3,102,626	\$ 2,172,264	\$ 648,421	\$ 299,549	\$ 15,285,132
1997	12,150,467	3,234,755	1,615,758	754,737	339,688	18,095,405
1998	12,060,806	4,005,881	1,995,052	783,743	547,697	19,393,179
1999	19,864,982	4,796,405	1,671,487	916,190	646,508	27,895,572
2000	18,167,905	4,842,139	2,176,880	921,266	494,045	26,602,235
2001	14,154,558	5,178,188	3,422,004	974,966	992,469	24,722,185
2002	13,766,636	5,719,317	1,427,208	1,222,652	993,437	23,129,250
2003	12,416,258	6,632,968	500,840	1,181,198	1,806,865	22,538,129
2004	13,813,500	6,455,916	375,268	1,360,384	1,397,098	23,402,166
2005	16,970,910	8,185,379	967,437	256,850	730,905	27,111,481

(1) Includes General and Capital Projects Funds and Local Fire Districts Special Revenue Funds.

ORANGE COUNTY, NORTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Tax Year	Year Ended June 30,	Current* Adjusted Tax Levy	Current Years Levy Collections	Percentage Collected	Prior Years Levy Collections	Total Collections During Year	Percent of Total Collections to Adjusted Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Adjusted Tax Levy
1995	1996	\$ 52,456,250	\$ 51,585,186	98.34	\$ 854,265	\$ 52,439,451	99.97	\$ 1,111,266	2.12
1996	1997	59,251,135	58,139,694	98.12	682,142	58,821,836	99.28	1,860,150	3.14
1997	1998	65,368,175	64,309,207	98.38	945,593	65,254,801	99.83	1,933,364	2.96
1998	1999	70,316,829	69,421,430	98.73	944,342	70,365,772	99.93	2,054,195	2.92
1999	2000	76,489,429	75,287,744	98.42	951,204	76,238,948	99.67	2,358,799	3.08
2000	2001	80,576,790	79,356,027	98.48	1,121,114	80,477,141	99.87	2,400,709	2.98
2001	2002	87,980,261	86,794,380	98.65	996,708	87,791,088	99.78	2,512,868	2.86
2002	2003	92,190,830	90,917,919	98.61	1,069,986	91,987,905	99.78	2,629,499	2.85
2003	2004	82,444,007	81,398,098	98.73	973,082	82,371,180	99.91	2,464,989	2.99
2004	2005	88,749,583	87,687,321	98.80	952,448	88,639,769	99.88	2,455,230	2.77

* Tax Levy includes special districts.

ORANGE COUNTY, NORTH CAROLINA
TAXABLE PROPERTY ASSESSED VALUE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Real Property			Public Service Companies		Total Assessed Value	Ratio Assessed Value to Estimated Actual Value
		Real Property	Personal Property		Companies			
1996	1995	\$ 4,078,041,951	\$ 647,507,666	\$	162,053,967	\$ 4,887,603,584	100%	
1997	1996	4,237,404,257	743,930,770		170,536,933	5,151,871,960	100%	
1998	1997	5,361,329,887	851,073,083		176,543,720	6,388,946,690	100%	
1999	1998	5,598,601,920	924,149,804		184,438,796	6,707,190,520	100%	
2000	1999	5,866,262,585	969,221,679		190,464,397	7,025,948,661	100%	
2001	2000	6,153,059,801	1,003,565,338		207,177,982	7,363,803,121	100%	
2002	2001	7,828,663,359	1,062,765,496		215,042,038	9,106,470,893	100%	
2003	2002	8,129,673,000	1,100,233,638		215,976,206	9,445,882,844	100%	
2004	2003	8,430,022,574	1,092,260,074		212,895,468	9,735,182,116	100%	
2005	2004	8,759,646,557	1,115,514,805		208,965,580	10,084,126,942	100%	

(1) Increase due to revaluation.

ORANGE COUNTY, NORTH CAROLINA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS -
PER \$100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS
(UNAUDITED)

Tax Year	Fiscal Year Ended June 30,	Orange County	Chapel Hill	Carrboro	Hillsborough
1995	1996	0.9475	0.591	0.70	0.485
1996	1997	0.9975	0.596	0.7475	0.50
1997	1998	0.873	0.538	0.6375	0.45
1998	1999	0.902	0.538	0.66	0.52
1999	2000	0.919	0.563	0.675	0.57
2000	2001	0.929	0.578	0.712	0.62
2001	2002	0.805	0.504	0.6568	0.60
2002	2003	0.830	0.553	0.6852	0.62
2003	2004	0.845	0.553	0.6852	0.62
2004	2005	0.880	0.575	0.7148	0.62

(1) Increase due to revaluation.

ORANGE COUNTY, NORTH CAROLINA
PROPERTY TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

Tax Year	Fiscal Year Ended June 30,	Orange County	Chapel Hill	Carrboro	Hillsborough	Total Tax Levies
1995	1996	\$ 52,456,250	\$ 12,547,769	\$ 3,572,164	\$ 1,054,917	\$ 69,631,100
1996	1997	59,251,135	13,415,313	4,031,350	1,189,041	77,886,839
1997	1998	65,368,175	14,635,901	4,510,381	1,387,676	85,902,133
1998	1999	70,316,829	14,803,037	4,818,656	1,577,679	91,516,201
1999	2000	76,489,429	15,766,710	5,407,318	1,894,972	99,558,429
2000	2001	80,576,790	16,755,500	6,065,356	2,194,771	105,592,417
2001	2002	87,980,261	19,255,296	6,984,830	2,674,336	116,894,723
2002	2003	92,201,181	21,762,495	7,551,366	2,926,216	124,441,258
2003	2004	97,333,361	22,522,156	7,983,802	2,937,177	130,781,496
2004	2005	104,132,105	24,018,025	8,479,108	3,071,757	139,700,995

Source: Tax assessor for the respective entities

ORANGE COUNTY, NORTH CAROLINA
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED
 DEBT PER CAPITA**
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Population Estimate (1)	Taxable Property Assessed Value	Bonded Debt	Ratio of Bonded Debt to Taxable Property Assessed	Bonded Debt Per Capita
1996	106,045	\$ 4,887,603,584	\$ 72,400,000	1.48	\$682.73
1997	107,254	5,151,871,960	68,115,000	1.32	635.08
1998	109,288	6,388,946,690	63,835,000	1.00	584.09
1999	111,982	6,707,190,520	59,565,000	0.89	531.91
2000	118,227	7,025,948,661	95,475,000	1.36	807.56
2001	120,952	7,363,803,121	90,030,000	1.22	744.34
2002	123,162	9,106,470,893	102,255,000	1.12	830.25
2003	125,372	9,445,882,844	113,955,222	1.21	908.94
2004	127,414	9,735,182,116	107,585,000	1.10	858.13
2005	128,725	10,084,126,942	125,810,000	1.24	977.35

Source:

(1) North Carolina Office of State Planning

ORANGE COUNTY, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
 June 30, 2005
(UNAUDITED)

Total assessed valuation at June 30, 2005	\$ 10,084,126,942
Debt limit 8% of total assessed value	\$ 806,730,155
Amount of debt applicable to debt limit:	
Outstanding General Obligation Bonds	126,223,010
Obligations under Capital Leases	2,107,612
Installment Notes Payable	24,565,678
	<u>152,896,300</u>
	<u>\$ 653,833,855</u>

ORANGE COUNTY, NORTH CAROLINA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 June 30, 2005
(UNAUDITED)

	Bonded (1) Debt	Percentage of Total County Valuation Subject to this Debt	Orange County's Share of Debt
Orange County	\$ 125,810,000	100%	\$ 125,810,000
Town of Chapel Hill	20,725,000	100%	20,725,000
Town of Hillsborough	4,960,000	100%	4,960,000
Town of Carrboro	433,536	100%	433,536
City of Durham	193,525,000	3%	5,805,750
Town of Mebane	1,330,000	30%	399,000
	<u>\$ 346,783,536</u>		<u>\$ 158,133,286</u>

(1) Includes only full faith and credit debt.

ORANGE COUNTY, NORTH CAROLINA
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
 COMPARED WITH GENERAL GOVERNMENTAL EXPENDITURES
 LAST TEN FISCAL YEARS
 (UNAUDITED)**

Fiscal Year Ended June 30,	Debt Service Expenditures		Fees	Total	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (1)
	Principal	Interest				
1996	\$ 5,056,495	\$ 4,134,500	\$ 302	\$ 9,191,297	\$ 98,243,504	9.36
1997	4,969,379	4,328,281	852	9,298,512	93,507,269	9.94
1998	5,042,785	4,782,154	765	9,825,704	93,282,376	10.53
1999	5,856,932	4,572,382	834	10,430,148	111,456,530	9.36
2000	5,944,011	4,231,613	120	10,175,744	115,834,563	8.78
2001	7,231,228	6,294,678	97	13,526,003	140,404,906	9.63
2002	8,795,743	6,574,620	488	15,370,851	149,300,426	10.29
2003	9,767,002	6,314,975	657	16,082,634	143,013,499	11.25
2004	10,276,402	6,780,803	2000	17,059,205	150,034,565	11.37
2005	11,066,814	6,889,640	22393	17,978,847	155,082,887	11.59

(1) Includes General and Capital Projects Funds and Local Fire Districts Special Revenue Fund.

ORANGE COUNTY, NORTH CAROLINA
DEMOGRAPHICS STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended June 30,	Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment Admissions (2)	Unemployment Rate (3)
1996	106,045	\$ 25,597	29.89	13,583	2.1
1997	107,254	27,344	29.80	13,857	1.6
1998	109,288	27,947	31.13	14,940	1.4
1999	111,982	28,946	31.55	15,238	1.2
2000	118,277	29,773	31.36	15,676	1.4
2001	120,952	30,238	30.78	16,121	1.3
2002	123,162	30,238	30.40	16,527	3.3
2003	125,372	30,238	30.40	16,590	3.4
2004	127,414	31,900	31.71	17,349	3.0
2005	128,725	33,375	32.60	17,532	3.6

Sources:

- (1) State Library of North Carolina
- (2) Orange County Schools and Chapel Hill - Carrboro City Schools
- (3) Employment Security Commission

ORANGE COUNTY, NORTH CAROLINA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Property Value (2)				Total Assessed Value	Number of Building Permits	Construction			Total Value (in Thousands)	Bank Deposits (3) (in Thousands)
	Real Property	Personal Property	Public Service Companies	Total Assessed Value			Residential Value (in Thousands)	Non-Residential Value (in Thousands)	Total Value (in Thousands)		
1996	\$ 4,078,041,951	\$ 647,507,666	\$ 162,053,967	\$ 4,887,603,584	1,059	\$ 46,763	\$ 8,617	\$ 55,380	\$ 936,000,000		
1997	4,237,404,257	743,930,770	170,536,933	5,151,871,960	1,153	62,977	7,079	70,056	952,000		
1998	5,361,329,887	851,073,083	176,543,720	6,388,946,690 (1)	1,607	86,175	2,072	88,247	1,073,000		
1999	5,598,601,920	924,149,804	184,438,796	6,707,190,520	2,645	261,159	108,537	369,696	1,151,000		
2000	5,866,262,585	969,221,679	190,464,397	7,025,948,661	1,844	212,791	70,391	283,182	1,259,000		
2001	6,153,059,801	1,003,565,338	207,177,982	7,363,803,121	2,994	229,680	44,676	274,356	1,306,000		
2002	7,828,663,359	1,062,765,496	215,042,038	9,106,470,893	2,106	227,589	47,136	274,725	1,318,000		
2003	8,129,613,000	1,100,233,638	215,976,206	9,445,882,844	1,945	229,880	59,486	289,366	1,373,000		
2004	8,430,022,574	1,092,264,074	212,895,468	9,735,182,116	2,047	213,589	26,642	240,231	N/A		
2005	8,759,646,557	1,115,514,805	208,965,580	10,084,126,942	2,153	201,810	54,899	256,709	N/A		

Sources:

- (1) Increase due to revaluation.
(2) Estimated assessed value from Table 4.
(3) State of North Carolina Banking Commission

N/A Not Available

Table 13

ORANGE COUNTY, NORTH CAROLINA
PRINCIPAL TAXPAYERS
 (UNAUDITED)

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Assessed Valuation
Duke Energy	Public Utility	\$ 78,184,325	0.75%
VAC Limited Partnership	Apartment Rental	55,829,704	0.55
Piedmont Electric and Membership Corporation	Public Utility	40,093,890	0.39
Blue Cross and Blue Shield of North Carolina	Health Insurance	39,150,221	0.39
Bell South Telephone and Telegraph Company	Public Utility	35,556,953	0.35
US CT LLC	Property Owners Trust	35,289,153	0.35
University Mall	Retail Outlet	31,804,992	0.32
Corium LLC	Health Insurance	25,869,599	0.26
Europa Center	Hotel	24,273,824	0.24
Meadowmont	Rental/Residential	23,616,296	0.23
		\$ 389,668,957	3.83%

ORANGE COUNTY, NORTH CAROLINA
 MISCELLANEOUS STATISTICS
 (UNAUDITED)

Date of Incorporation	May 20, 1775	
Form of Government	Board of Commissioners - Manager	
Area	398 Square Miles	
Miles of Roads - paved (1)	747.58	
Miles of Roads - unpaved (1)	70	
Fire Protection (Voluntary) (2):		
Number of Stations	11	
Number of volunteers	320	
Police Protection (2):		
Number of Stations	1	
Number of Policemen	111	
Education (K-12) (3):		
Number of Schools	26	Orange County 11
Number of teachers and administrative personnel	2,904	1,304
Number of students	17,532	6,811
Recreation and Culture (4):		
Number of libraries and branches	4	Orange Co./C/Carbo 3
Number of volumes	322,027	186,266
		Chapel Hill 1
		135,761
Employees (2):		
Permanent	776	
Temporary - part-time	279	

Sources:

- (1) North Carolina Department of Transportation
- (2) Orange County Personnel Department
- (3) Orange County Schools and Chapel Hill - Carrboro City Schools
- (4) Orange County Public Library and Chapel Hill Public Library

This Page Intentionally Left Blank

