

Comprehensive Annual Financial Report
Year Ended June 30, 2006



Little River Park

Orange County, North Carolina
June 30, 2006

Comprehensive Annual Financial Report

Year Ended June 30, 2006



Barry Jacobs
Chair, Board of County Commissioners

John M. Link, Jr.
County Manager

Kenneth T. Chavious
Finance Director

Prepared by the Orange County Finance Department

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October 16, 2006

The Board of County Commissioners,
Rod Visser, Interim 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, 2006.

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.

This report is divided into four sections:

The **Introductory Section** includes this letter of transmittal, Government Finance Officer's Association Certificate of Achievement for Excellence in Financial Reporting, a list of the County's principal officials, and an organization chart of Orange County Government.

The **Financial Section** contains the independent auditor's report, Management's Discussion and Analysis, and the basic financial statements including the accompanying notes to the financial statements. In addition, there is required supplementary information presenting certain disclosures, combining and individual fund financial statements and schedules, and additional financial data.

The **Statistical Section** provides selected financial, economic and demographic data for the past ten years.

The **Compliance Section** contains various schedules as required by *the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and other state agencies. It also contains the Independent Auditors' reports on compliance and controls as required by the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, and the North Carolina State Single Audit Implementation Act.

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, 2006, 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 in the Compliance Sections of this report and includes the schedules of financial assistance and findings and questioned costs and the independent auditors' reports on the internal control structure and on compliance.

GAAP² 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 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 in which to live and work. In September, 2006, the Silicon Valley Leadership Group's 2007 Projections report ranked the area as the #1 High Tech Region for the second year in a row. *Entrepreneur*, 2006 rated the area the #3 best city for entrepreneurs.

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 represent much smaller portions of the County's economy.

The County enjoys a consistently low unemployment rate. The unemployment rate reported by the North Carolina Employment Security Commission for fiscal year 2005 was 3.8 percent, one of the lowest in the State. For the same period for the State as a whole, the unemployment rate was 5.2 percent.

The University of North Carolina at Chapel Hill and UNC 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 and professional workers and executives who work in the Research Triangle Park and neighboring cities of Durham, Raleigh, and Burlington.

The Research Triangle refers to the area formed by 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, an estimated 145 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. In July 2006, approximately 39,000 people were employed at the Park with an annual payroll of approximately \$2.7 billion with an average

salary of \$56,000. Approximately 82% 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.

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 2006-2007 General Fund Budget of \$163 million for education. The assessed value for the upcoming year is estimated to be nearly \$12.1 billion with a tax rate of \$0.903 per \$100 of value. In an effort to further solidify the County's financial stability, for the second consecutive year, 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, County facilities will be further developed including purchasing parkland and open space and the provision of affordable housing opportunities for County Citizens. The County also plans to use alternative financing sources to provide funding for conservation easements, a satellite Community College Campus, 2 senior centers and justice facilities. Construction of Gravelly Hill Middle School in the Orange County District will be completed soon and the Carrboro High School in the Chapel Hill Carrboro District will also be completed in the very near future.

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. Information pertaining to the County's debt can be found in the notes to the financial statements. In addition, the statistical section includes historical and analytical information on the County's debt.

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, 2005. This marks the twenty-fourth 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.

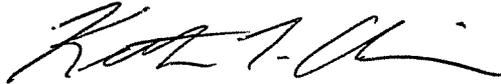
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The County also received the GFOA's Award for Distinguished Budget Presentation for its 2005 annual budget document. This is the 15th 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 2006 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, L.L.P., Certified Public Accounts 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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emery

Executive Director

Board of County Commissioners

June 30, 2006



Barry Jacobs, Chair

Stephen H. Halkiotis, Vice Chair

Moses Carey, Jr.

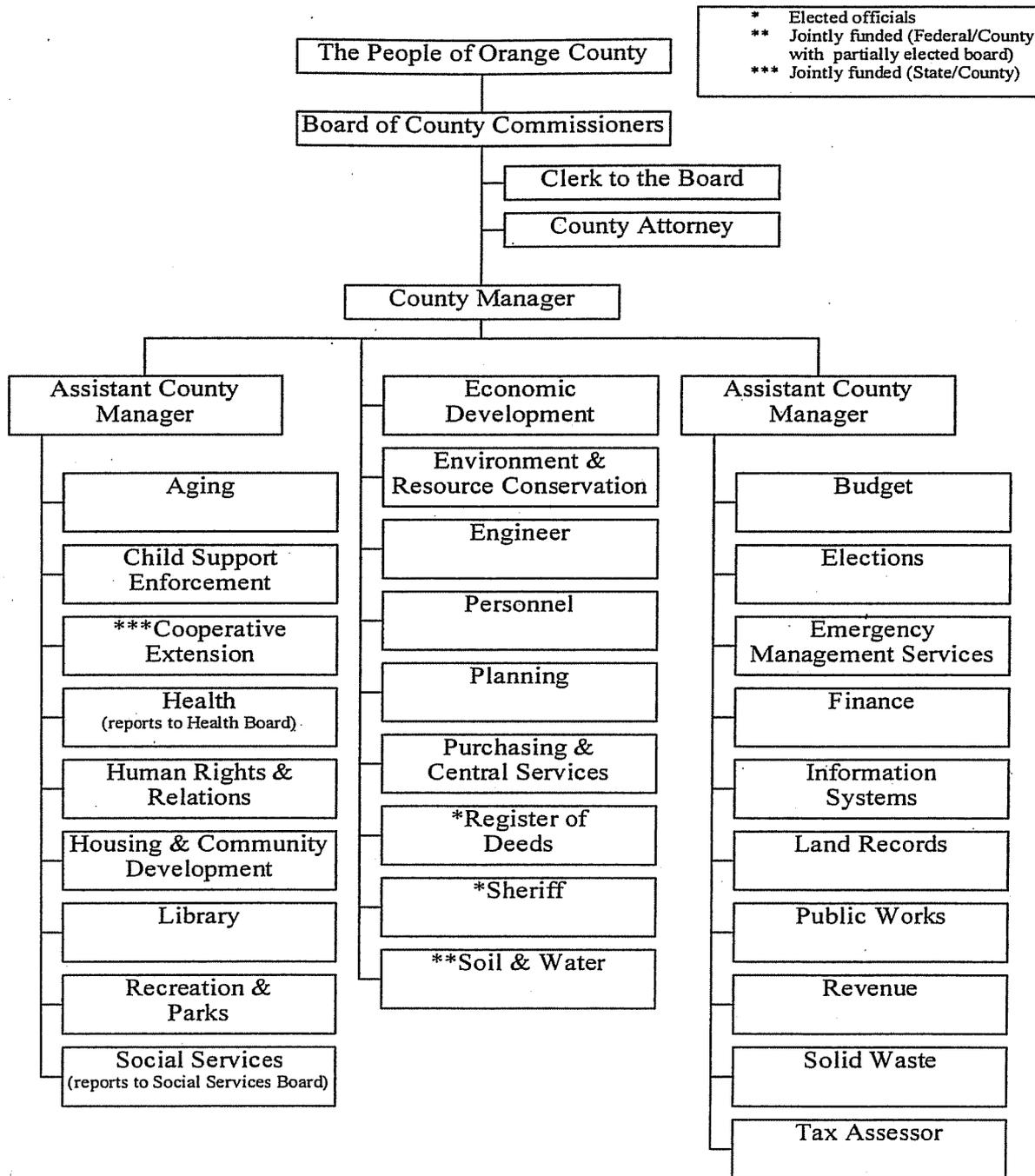
Valerie P. Foushee

Alice M. Gordon

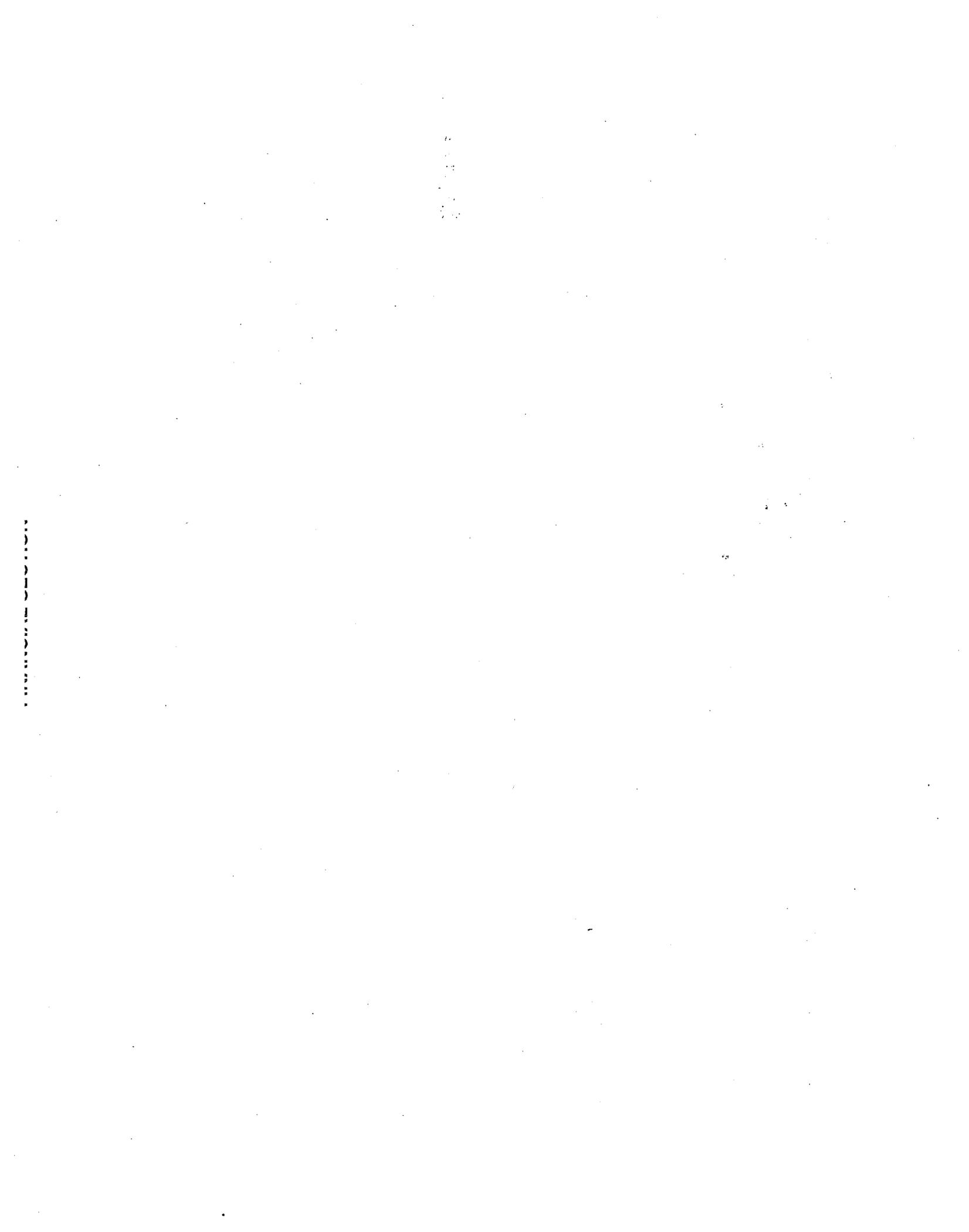
ORANGE COUNTY, NORTH CAROLINA

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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, 2006, 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, 2006, 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 16, 2006 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 O to the financial statements, management of the Board discovered that capital assets were understated. Accordingly, the 2005 financial statements have been restated and net assets as of June 30, 2005 have been adjusted to properly reflect the resultant increase 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, as well as the accompanying schedule of expenditures of federal and State awards for the year ended June 30, 2006 as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the State Single Audit Implementation Act, 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, Roubert + Halden, L.L.P.

Raleigh, North Carolina
October 16, 2006

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, 2006. 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

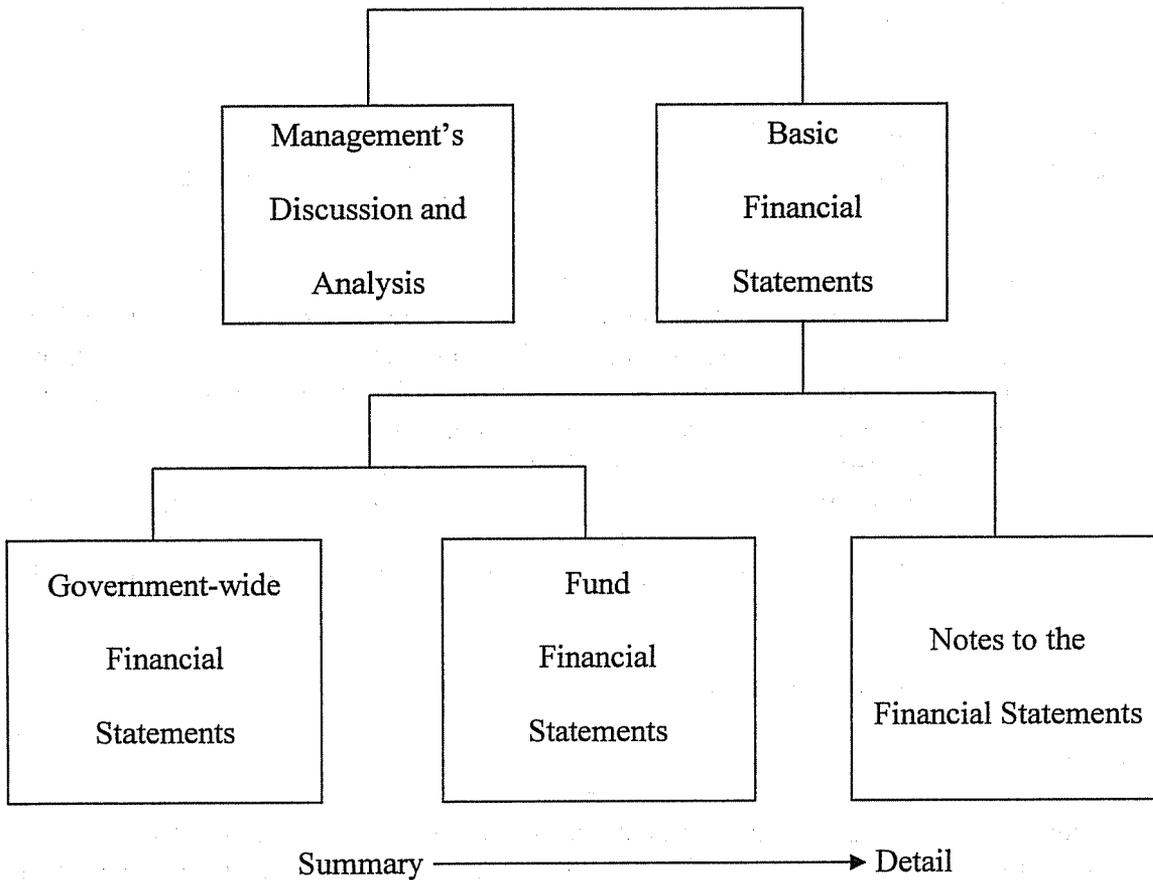
- The liabilities of the County exceeded its assets at the close of the fiscal year by \$(75,203,249) (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$132 million in long-term debt associated with assets belonging to the Orange County Board of Education 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 decreased by \$7,544,043. This decrease results mainly from increases in long term liabilities resulting from the issuance of \$51.2 million in bonds and certificates of participation and other installment notes to fund new school and county capital projects.
- As of the close of the current fiscal year, The County's governmental funds reported combined ending fund balances of \$71,860,901 an increase of \$23,645,759 in comparison with the prior year. This increase results mainly from the receipt of proceeds from debt financing of approximately \$51.2 million in the current year as mentioned above. Approximately 76 percent of the ending fund balance or \$54,810,594 is available for spending at the government's discretion (*unreserved fund balance*). Of this amount \$33,120,947 has been designated for subsequent year's expenditures and \$21,689,647 is undesignated.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$15,452,551 or 10.4 percent of total general fund expenditures for the fiscal year. None of this amount has been designated for subsequent year expenditures.
- The County maintained its AAA (Fitch IBCA), Aa1 (Moody's Investor Services) and AA+ (Standard & Poor's) bond rating for the 9th 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 gauge 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 and SportsPlex 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, for its landfill operations, and SportsPlex 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 – 59 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 60 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2006, continues a new era in financial reporting for The County, and many other units of government across the United States. Prior to the fiscal year ended June 30, 2002, 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 84,028,323	\$ 57,997,129	\$ 7,408,281	\$ 6,010,506	\$ 91,436,604	\$ 64,007,635
Capital assets	36,348,081	32,955,650	12,804,623	7,319,756	49,152,704	40,275,406
Total assets	<u>120,376,404</u>	<u>90,952,779</u>	<u>20,212,904</u>	<u>13,330,262</u>	<u>140,589,308</u>	<u>104,283,041</u>
Long-term liabilities outstanding	191,307,895	156,101,917	12,792,885	6,648,018	204,100,780	162,749,935
Other liabilities	11,201,579	8,654,118	490,198	538,194	11,691,777	9,192,312
Total liabilities	<u>202,509,474</u>	<u>164,756,035</u>	<u>13,283,083</u>	<u>7,186,212</u>	<u>215,792,557</u>	<u>171,942,247</u>
Net assets:						
Invested in capital assets, net of related debt	8,323,542	(2,329,884)	5,334,757	5,331,054	13,658,299	3,001,170
Restricted	-	-	-	-	-	-
Unrestricted	(90,456,612)	(71,473,372)	1,595,064	812,996	(88,861,548)	(70,660,376)
Total net assets	<u>\$ (82,133,070)</u>	<u>\$ (73,803,256)</u>	<u>\$ 6,929,821</u>	<u>\$ 6,144,050</u>	<u>\$ (75,203,249)</u>	<u>\$ (67,659,206)</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 (\$75,203,249) as of June 30, 2006. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$13,658,299, Restricted net assets of \$0 and Unrestricted net assets \$(88,861,548).

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, 2006, there is an increase of \$10,657,129 in the County's investment in capital assets.

Another category of net assets is restricted net assets. This represents resources that are subject to external restrictions on how they may be used. At June 30, 2006 the County reported no restricted net assets.

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, 2006, the total net deficit reported of \$75,203,249 is primarily attributable to the unrestricted net deficit balance of \$88,861,548.

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 \$132 million of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. 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 a combination of School systems impact fees, sales taxes earmarked for school capital and ad valorem property taxes allocated to school capital.

The decrease reflected in total net assets is attributed to the \$51.2 million in debt issued to fund School and County projects. However, the following positive operational initiatives and results are noted:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.9%, higher than the statewide average of 96.75%.
- Continued to lead the state in per pupil funding for education.
- Used proceeds from the issuance of general obligation bonds and certificates of participation to provide funding for a new middle school in the Orange County School District and a new high school and major renovations in the Chapel Hill Carrboro School District. In addition, proceeds were used to provide construction funding for two new senior centers.
- The County also financed the acquisition of the Triangle SportsPlex, a recreational facility that will provide recreation and leisure opportunities to County citizens.
- Fund balance in the County's general fund reflected an increase of \$3.2 million over the prior year. This increase exceeded projections and serves to enhance overall financial condition.

The County Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 11,926,850	\$ 10,861,457	\$ 8,094,895	\$ 6,847,668	\$ 20,021,745	\$ 17,709,125
Operating grants and contributions	21,785,974	20,838,946	195,214	215,868	21,981,188	21,054,814
Capital grants and contributions	26,673	953,634	-	-	26,673	953,634
General revenues:						
Property taxes	103,277,416	91,188,353	-	-	103,277,416	91,188,353
Other taxes	21,795,500	20,448,762	-	-	21,795,500	20,448,762
Other	5,343,957	2,966,288	231,250	96,679	5,575,207	3,062,967
Total revenues	<u>164,156,370</u>	<u>147,257,440</u>	<u>8,521,359</u>	<u>7,160,215</u>	<u>172,677,729</u>	<u>154,417,655</u>
Expenses:						
Governing and management	9,013,179	11,633,062	-	-	9,013,179	11,633,062
General services	10,371,173	10,095,265	-	-	10,371,173	10,095,265
Community and environment	9,078,254	8,939,210	-	-	9,078,254	8,939,210
Human services	33,499,003	32,558,212	-	-	33,499,003	32,558,212
Education	82,853,757	58,910,220	-	-	82,853,757	58,910,220
Public Safety	18,278,983	16,685,076	-	-	18,278,983	16,685,076
Culture and recreation	2,508,464	2,430,733	-	-	2,508,464	2,430,733
Interest on long-term debt	7,526,775	6,508,674	-	-	7,526,775	6,508,674
Landfill	-	-	6,691,328	5,766,797	6,691,328	5,766,797
Sewer	-	-	181,329	177,477	181,329	177,477
SportsPlex	-	-	1,322,837	-	1,322,837	-
Total expenses	<u>173,129,588</u>	<u>147,760,452</u>	<u>8,195,494</u>	<u>5,944,274</u>	<u>181,325,082</u>	<u>153,704,726</u>
Increase in net assets before transfers	(8,973,218)	(503,012)	325,865	1,215,941	(8,647,353)	712,929
Transfers	(440,867)	160,258	440,867	(160,258)	-	-
Increase in net assets	<u>(9,414,085)</u>	<u>(342,754)</u>	<u>766,732</u>	<u>1,055,683</u>	<u>(8,647,353)</u>	<u>712,929</u>
Net assets, July 1, as previously reported	(73,803,256)	(73,093,585)	6,144,050	5,452,252	(67,659,206)	(67,641,333)
Prior period adjustment	1,084,271	(366,917)	19,039	(363,885)	1,103,310	(730,802)
Net assets, July 1, as restated	<u>(72,718,985)</u>	<u>(73,460,502)</u>	<u>6,163,089</u>	<u>5,088,367</u>	<u>(66,555,896)</u>	<u>(68,372,135)</u>
Net assets, June 30	<u>\$ (82,133,070)</u>	<u>\$ (73,803,256)</u>	<u>\$ 6,929,821</u>	<u>\$ 6,144,050</u>	<u>\$ (75,203,249)</u>	<u>\$ (67,659,206)</u>

Governmental activities. Governmental activities decreased the County's net assets by \$(9,414,085). Key elements of this decrease 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.
- These decreases were offset by a \$12 million increase in property taxes due to upward adjustments to property valuations.

Business-type activities. Business-type activities increased the County's net assets by \$766,732 offsetting the decrease reflected in governmental activities. The majority of the increase is the result of the additional assets resulting from the acquisition of the Triangle SportsPlex and additional revenues generated in the solid waste landfill fund.

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 \$15,452,551, while total fund balance reached \$24,371,318. 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 10.4 percent of total General Fund expenditures and transfers, while total fund balance represents 16.3 percent of that same amount.

In addition, the county and school capital improvement funds reflected significant increases in fund balance of \$10,366,239 and \$9,199,794 respectively. The unreserved portions of fund balance in these funds have been designated for expenditures in the subsequent year. Fund balance in the impact fee fund decreased by \$557,515. This decrease is the result of fees transferred to pay debt service on school related debt. As mentioned previously in Business-Type Activities, the net assets in the enterprise funds increased by \$766,732. This increase can be attributed to the addition of assets generated by the acquisition of the Triangle SportsPlex.

At June 30, 2006, the governmental funds of the County reported a combined fund balance of \$71,860,901, a 49 percent increase from last year. This increase can be attributed mainly to the receipt of proceeds from the issuance of debt financing of approximately \$51.2 million in the capital projects funds.

General Fund Budgetary Highlights

During the 2006 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 funds 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 2006, the County's contribution to education funding, including operations, short and long range capital needs and debt service obligations, totaled \$82.8 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 \$2 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 in the proprietary funds at the end of the fiscal year amounted to \$1,595,064. As previously indicated, the total growth in net assets for the proprietary funds was \$766,732. The primary factors affecting the growth in these funds were 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, 2006, totals \$49,152,704 (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.
- Purchase of the Triangle SportsPlex.
- Purchase of a building to be used as County office space.
- Purchased Sheriff vehicles as well as ambulances in the Public Safety area.
- Acquired park lands and open space.

The County's Capital Assets
Figure 4

ORANGE COUNTY'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 9,883,007	\$ 1,767,349	\$ 11,650,356
Land Improvements	-	196,826	196,826
Water Resources - Lake Orange	481,624	-	481,624
Buildings	14,455,205	5,778,606	20,233,811
Sewer Lines	-	854,292	854,292
Automotive equipment	1,743,036	-	1,743,036
Office and other equipment	917,405	2,411,920	3,329,325
Construction in progress	8,867,804	1,795,630	10,663,434
Total	\$ 36,348,081	\$ 12,804,623	\$ 49,152,704

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, 2006, The County had total bonded debt outstanding of \$148,175,000 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 Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 148,175,000	\$ 125,810,000	\$ -	\$ -	\$ 148,175,000	\$ 125,810,000
Obligations under capital leases	2,765,956	2,107,612	1,233,830	1,152,360	3,999,786	3,259,972
Installment note payable	37,878,032	24,565,678	6,570,860	836,342	44,448,892	25,402,020
Bond issuance items, net	(1,073,758)	413,010	-	-	(1,073,758)	413,010
Accrued compensated absences	3,037,850	2,682,720	173,310	142,105	3,211,160	2,824,825
Separation allowance	524,815	522,897	-	-	524,815	522,897
Post closing liability	-	-	4,814,885	4,517,211	4,814,885	4,517,211
Total long-term debt	\$ 191,307,895	\$ 156,101,917	\$ 12,792,885	\$ 6,648,018	\$ 204,100,780	\$ 162,749,935

The County's total debt increased by \$41,350,845 or 25.4% during the past fiscal year. The increase is due mainly to issuance of bonds and installment notes.

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

Moody's Investor Services	Aa2
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 all 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 \$731 million. The County has \$6,900,000 in bonds authorized but un-issued at June 30, 2006.

Additional information regarding The County's long-term debt can be found in Note E on pages 42-48 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 2006 was 3.4%, one of the lowest in the State. (State average was 5.2%)

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 145 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 82% 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 Park's 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 \$163 million general fund budget for fiscal year 2007 which represents a \$13 million or 8.6% increase over fiscal year 2006. This will be accomplished by a 6.5 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 issue certificates of participation to finance the completion of construction of a new high school, purchase park land and conservation easements as well as provide funding for completion of two senior centers.

Budgeted expenditures for education are expected to increase \$3.8 million for current expense which will increase the per pupil allocation by \$173 to \$2,957. In addition, in reference to business-type activities, The County expects those budgets to increase by \$1.2 million. This increase will fund further waste reduction and recycling activities in Solid Waste as well as provide funding for a full year's activity at the Triangle SportsPlex.

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, 2006

	Governmental Activities	Business Type Activities	Total Primary Government	Orange County ABC Board	Total Reporting Unit
Assets					
Cash and investments	\$ 72,067,114	\$ 7,237,031	\$ 79,304,145	\$ 1,438,912	\$ 80,743,057
Receivables - property taxes, net	1,769,977	-	1,769,977	-	1,769,977
Receivables - federal intergovernmental	232,458	-	232,458	-	232,458
Receivables - state intergovernmental	7,467,472	50,178	7,517,650	-	7,517,650
Receivables - other	789,130	303,966	1,093,096	574	1,093,670
Inventories	114,036	-	114,036	919,696	1,033,732
Internal balances	202,983	(202,983)	-	-	-
Due from other governments	4,735	-	4,735	-	4,735
Prepaid expenses	-	20,089	20,089	81,355	101,444
Capital assets:					
Nondepreciable	19,232,435	3,562,979	22,795,414	252,238	23,047,652
Depreciable	17,115,646	9,241,644	26,357,290	863,000	27,220,290
Other assets	1,380,418	-	1,380,418	87,878	1,468,296
Total assets	120,376,404	20,212,904	140,589,308	3,643,653	144,232,961
Liabilities					
Accounts payable	6,063,344	195,570	6,258,914	579,477	6,838,391
Payroll withholdings	435,780	22,934	458,714	-	458,714
Accrued liabilities	3,172,413	151,320	3,323,733	-	3,323,733
Trust accounts	157,385	-	157,385	-	157,385
Unearned revenues	1,372,657	120,374	1,493,031	-	1,493,031
Long-term liabilities:					
Due in less than one year	15,220,653	954,335	16,174,988	-	16,174,988
Due in more than one year	176,087,242	11,838,550	187,925,792	-	187,925,792
Total liabilities	202,509,474	13,283,083	215,792,557	579,477	216,372,034
Net assets					
Invested in capital assets net of related debt	8,323,542	5,334,757	13,658,299	1,115,238	14,773,537
Unrestricted	(90,456,612)	1,595,064	(88,861,548)	1,948,938	(86,912,610)
Total net assets	\$ (82,133,070)	\$ 6,929,821	\$ (75,203,249)	\$ 3,064,176	\$ (72,139,073)

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs: Primary government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Total Reporting Unit
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General and management	\$ 9,013,179	\$ 1,670,429	\$ 402,342	\$ -	\$ (6,940,408)	\$ -	\$ (6,940,408)	\$ -
General services	10,371,173	2,395,503	123,928	26,673	(7,825,069)	-	(7,825,069)	-
Community and environment	9,078,254	-	49,000	-	(9,029,254)	-	(9,029,254)	-
Human services	33,499,003	1,740,417	18,732,278	-	(13,026,308)	-	(13,026,308)	-
Education	82,853,757	1,864,897	1,278,120	-	(79,710,740)	-	(79,710,740)	-
Public safety	18,278,983	4,254,177	1,200,306	-	(12,824,500)	-	(12,824,500)	-
Culture and recreation	2,508,464	1,427	-	-	(2,507,037)	-	(2,507,037)	-
Interest on long-term debt	7,526,775	-	-	-	(7,526,775)	-	(7,526,775)	-
Total governmental activities	173,129,588	11,926,850	21,785,974	26,673	(139,390,091)	-	(139,390,091)	-
Business-type activities:								
Landfill	6,691,328	6,915,030	195,214	-	418,916	-	418,916	-
Sewer	181,329	57,636	-	-	(123,693)	-	(123,693)	-
SportsPlex	1,322,837	1,122,229	-	-	(200,608)	-	(200,608)	-
Total business-type activities	8,195,494	8,094,895	195,214	-	94,615	-	94,615	-
Total primary government	\$ 181,325,082	\$ 20,021,745	\$ 21,981,188	\$ 26,673	\$ (139,390,091)	\$ 94,615	\$ (139,295,476)	\$ (139,295,476)
Component unit: ABC Board	\$ 10,743,931	\$ 11,099,832	\$ -	\$ -	-	-	-	355,901
Total component unit	\$ 10,743,931	\$ 11,099,832	\$ -	\$ -	-	-	-	355,901
General revenues:								
Property taxes			103,277,416				103,277,416	
Sales taxes			21,219,490				21,219,490	
Occupancy taxes			576,010				576,010	
Unrestricted investment earnings			3,665,492	225,351			3,890,843	
Gain on sale of capital assets			-	(1,304)			(1,304)	
Miscellaneous			1,678,465	7,203			1,685,668	
Transfers			(440,867)	440,867			-	
Total general revenues and transfers			125,976,006	672,117			130,648,123	
Change in net assets			(9,414,085)	766,732			(8,647,353)	
Net assets - beginning, as previously reported			(73,803,256)	6,144,050			(67,659,206)	
Prior period adjustment			1,084,271	19,039			1,103,310	
Net assets - beginning, as restated			(72,718,985)	6,163,089			(66,555,896)	
Net assets - ending			\$ (82,133,070)	\$ 6,929,821			\$ (75,203,249)	
							\$ 3,064,176	
							\$ (72,139,073)	

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

ORANGE COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

<u>ASSETS</u>						
	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 20,785,119	\$ 2,300,707	\$ 30,632,239	\$ 13,714,565	\$ 4,453,584	\$ 71,886,214
Accounts receivable - property taxes, net	1,710,284	-	-	-	59,693	1,769,977
Accounts receivable - federal	232,458	-	-	-	-	232,458
Accounts receivable - state	7,398,780	-	-	-	68,692	7,467,472
Accounts receivable - other	429,112	210,838	-	-	149,180	789,130
Inventories	114,036	-	-	-	-	114,036
Due from other funds	149,885	-	66,983	-	-	216,868
Due from other governments	4,735	-	-	-	-	4,735
TOTAL ASSETS	\$ 30,824,409	\$ 2,511,545	\$ 30,699,222	\$ 13,714,565	\$ 4,731,149	\$ 82,480,890
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 1,980,487	\$ -	\$ 566,781	\$ 3,357,091	\$ 158,985	\$ 6,063,344
Payroll withholdings	425,317	-	-	-	10,463	435,780
Accrued liabilities	548,743	-	-	-	-	548,743
Trust accounts	157,385	-	-	-	-	157,385
Due to other funds	-	-	-	-	13,885	13,885
Deferred revenue	3,341,159	-	-	-	59,693	3,400,852
Total liabilities	6,453,091	-	566,781	3,357,091	243,026	10,619,989
Fund balances						
Reserved for inventories	114,036	-	-	-	-	114,036
Reserved for encumbrances	847,979	-	7,504,558	-	131,289	8,483,826
Reserved for State statute	7,956,752	210,838	66,983	-	217,872	8,452,445
Unreserved:						
Designated for subsequent year's expenditures	-	-	22,560,900	10,357,474	202,573	33,120,947
Undesignated	15,452,551	2,300,707	-	-	-	17,753,258
Reported in nonmajor:						
Special revenue	-	-	-	-	3,936,389	3,936,389
Total fund balances	24,371,318	2,511,545	30,132,441	10,357,474	4,488,123	71,860,901
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,824,409	\$ 2,511,545	\$ 30,699,222	\$ 13,714,565	\$ 4,731,149	\$ 82,480,890

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, 2006

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

Ending fund balance - governmental funds	\$ 71,860,901
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,348,081
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,028,195
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.	(2,574,466)
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.	1,380,418
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	131,696
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(191,307,895)</u>
Net assets of governmental activities	<u>\$ (82,133,070)</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, 2006

	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 100,585,187	\$ -	\$ -	\$ -	\$ 3,065,569	\$ 103,650,756
Sales tax	21,176,362	-	-	-	-	21,176,362
Intergovernmental revenues	15,832,325	-	383,117	-	6,131,392	22,346,834
Charges for services	9,711,307	-	-	-	43,571	9,754,878
Investment earnings	1,209,164	147,588	1,064,172	1,109,837	152,352	3,683,113
Licenses and permits	268,571	-	-	-	-	268,571
Impact fees	-	1,864,897	-	-	-	1,864,897
Miscellaneous	678,678	-	1,000	-	573,554	1,253,232
Total revenues	149,461,594	2,012,485	1,448,289	1,109,837	9,966,438	163,998,643
Expenditures						
Current:						
Governing and management	7,060,610	-	-	-	-	7,060,610
General services	9,210,800	-	-	-	765,928	9,976,728
Community and environment	3,418,660	-	-	-	5,545,974	8,964,634
Human services	32,480,107	-	-	-	32,460	32,512,567
Education	52,271,554	-	-	-	-	52,271,554
Public safety	13,944,209	-	-	-	3,604,842	17,549,051
Culture and recreation	2,444,132	-	-	-	-	2,444,132
Capital outlay	-	-	6,305,360	30,582,203	-	36,887,563
Debt service:						
Principal	13,108,143	-	128,761	-	-	13,236,904
Interest and fees	6,758,565	-	-	-	-	6,758,565
Issue costs	-	-	168,051	166,913	-	334,964
Total expenditures	140,696,780	-	6,602,172	30,749,116	9,949,204	187,997,272
Excess (deficiency) of revenues over (under) expenditures	8,764,814	2,012,485	(5,153,883)	(29,639,279)	17,234	(23,998,629)
Other financing sources (uses)						
Bonds issuance	-	-	3,500,000	25,685,000	-	29,185,000
Refunding issuance	-	-	4,143,402	25,221,598	-	29,365,000
Refunding issue costs	-	-	(223,402)	(1,366,598)	-	(1,590,000)
Payments to escrow agent - refunding	-	-	(3,920,000)	(23,855,000)	-	(27,775,000)
Installment loans issuance	-	-	9,035,000	8,650,000	-	17,685,000
Capital leases issuance	-	-	1,215,255	-	-	1,215,255
Transfers in	2,870,000	-	3,328,364	4,504,073	1,409,419	12,111,856
Transfers out	(8,424,226)	(2,570,000)	(1,558,497)	-	-	(12,552,723)
Total other financing sources (uses)	(5,554,226)	(2,570,000)	15,520,122	38,839,073	1,409,419	47,644,388
Net change in fund balances	3,210,588	(557,515)	10,366,239	9,199,794	1,426,653	23,645,759
Fund balance - beginning	21,160,730	3,069,060	19,766,202	1,157,680	3,061,470	48,215,142
Fund balance - ending	\$ 24,371,318	\$ 2,511,545	\$ 30,132,441	\$ 10,357,474	\$ 4,488,123	\$ 71,860,901

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, 2006

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

Net change in fund balances - total governmental funds	\$ 23,645,759
<p>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:</p>	
Capital outlay	4,516,843
Depreciation expense	(1,624,077)
Other Capital adjustments	(584,606)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	245,798
<p>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.</p>	
	(77,450,255)
<p>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.</p>	
	2,206,093
<p>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.</p>	
	(1,151,992)
<p>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.</p>	
	41,114,557
<p>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.</p>	
	(357,048)
<p>The internal service fund is used by management to charge the costs of dental insurance.</p>	
	24,843
Change in net assets of governmental activities	\$ (9,414,085)

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, 2006

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 101,484,995	\$ 101,159,995	\$ 100,585,187	\$ (574,808)
Sales tax	20,806,210	20,806,210	21,176,362	370,152
Intergovernmental revenues	14,192,353	15,498,048	15,832,325	334,277
Charges for services	8,885,675	8,580,553	9,711,307	1,130,754
Investment earnings	510,000	510,000	1,209,164	699,164
Licenses and permits	286,500	286,500	268,571	(17,929)
Miscellaneous	491,258	648,738	710,463	61,725
Total revenues	<u>146,656,991</u>	<u>147,490,044</u>	<u>149,493,379</u>	<u>2,003,335</u>
Expenditures				
Current:				
Governing and management	7,788,409	7,702,838	7,060,610	642,228
General services	14,580,291	9,518,980	9,210,800	308,180
Community and environment	3,471,261	3,594,254	3,418,660	175,594
Human services	32,123,721	34,277,136	32,480,107	1,797,029
Education	66,967,618	52,271,554	52,271,554	-
Public safety	13,925,289	13,889,939	13,944,209	(54,270)
Culture and recreation	3,085,039	2,554,656	2,444,132	110,524
Debt service:				
Principal	-	16,580,384	13,108,143	3,472,241
Interest and fees	-	3,081,391	6,758,565	(3,677,174)
Total expenditures	<u>141,941,628</u>	<u>143,471,132</u>	<u>140,696,780</u>	<u>2,774,352</u>
Excess of revenues over expenditures	<u>4,715,363</u>	<u>4,018,912</u>	<u>8,796,599</u>	<u>4,777,687</u>
Other financing sources (uses)				
Transfers in	3,199,883	2,870,000	2,870,000	-
Transfers out	(7,915,246)	(8,424,681)	(8,424,226)	455
Appropriated fund balance	-	1,535,769	-	(1,535,769)
Total other financing sources (uses)	<u>(4,715,363)</u>	<u>(4,018,912)</u>	<u>(5,554,226)</u>	<u>(1,535,314)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>3,242,373</u>	<u>\$ 3,242,373</u>
Fund balance - beginning			21,160,730	
(Increase) decrease in reserve for inventory			<u>(31,785)</u>	
Fund balance - ending			<u>\$ 24,371,318</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
BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended June 30, 2006

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 147,588	\$ 147,588
Impact fees	970,000	2,570,000	1,864,897	(705,103)
Total revenues	970,000	2,570,000	2,012,485	(557,515)
Other financing sources (uses)				
Transfers out	(970,000)	(2,570,000)	(2,570,000)	-
Total other financing sources (uses)	(970,000)	(2,570,000)	(2,570,000)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(557,515)	\$ (557,515)
Fund balance - beginning			3,069,060	
Fund balance - ending			\$ 2,511,545	

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise Funds				Internal Service Fund
	Solid Waste Landfill Fund	Efland Sewer Fund	Sportsplex Fund	Total	Dental Insurance Fund
Current assets					
Cash and investments	\$ 6,339,536	\$ 94,615	\$ 802,880	\$ 7,237,031	\$ 180,900
Accounts receivable - state	50,178	-	-	50,178	-
Accounts receivable - other	296,780	-	7,186	303,966	-
Prepaid expenses	-	-	20,089	20,089	-
Total current assets	<u>6,686,494</u>	<u>94,615</u>	<u>830,155</u>	<u>7,611,264</u>	<u>180,900</u>
Noncurrent assets					
Capital assets, net	6,316,807	911,409	5,576,407	12,804,623	-
Total noncurrent assets	<u>6,316,807</u>	<u>911,409</u>	<u>5,576,407</u>	<u>12,804,623</u>	<u>-</u>
Total assets	<u>13,003,301</u>	<u>1,006,024</u>	<u>6,406,562</u>	<u>20,415,887</u>	<u>180,900</u>
Current liabilities					
Accounts payable	141,436	14,986	39,148	195,570	-
Payroll withholdings	22,934	-	-	22,934	-
Accrued liabilities	59,539	-	91,781	151,320	49,204
Due to other funds	-	202,983	-	202,983	-
Unearned revenues	-	-	120,374	120,374	-
Current portion of long-term debt	648,688	-	279,545	928,233	-
Compensated absences - current portion	26,102	-	-	26,102	-
Total current liabilities	<u>898,699</u>	<u>217,969</u>	<u>530,848</u>	<u>1,647,516</u>	<u>49,204</u>
Noncurrent liabilities					
Compensated absences	147,208	-	-	147,208	-
Post closing liability	4,814,885	-	-	4,814,885	-
Long-term debt	1,156,002	-	5,720,455	6,876,457	-
Total noncurrent liabilities	<u>6,118,095</u>	<u>-</u>	<u>5,720,455</u>	<u>11,838,550</u>	<u>-</u>
Total liabilities	<u>7,016,794</u>	<u>217,969</u>	<u>6,251,303</u>	<u>13,486,066</u>	<u>49,204</u>
Net assets					
Invested in capital assets, net of related debt	4,512,117	911,409	(88,769)	5,334,757	-
Unrestricted	1,474,390	(123,354)	244,028	1,595,064	131,696
Total net assets	<u>\$ 5,986,507</u>	<u>\$ 788,055</u>	<u>\$ 155,259</u>	<u>\$ 6,929,821</u>	<u>\$ 131,696</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, 2006

	Enterprise Funds			Total	Internal Service Fund
	Solid Waste Landfill Fund	Efland Sewer Fund	Sportsplex Fund		Dental Insurance Fund
Operating revenues					
Landfill fees	\$ 6,915,030	\$ -	\$ -	\$ 6,915,030	\$ -
Service fees	-	57,636	1,105,235	1,162,871	-
Other	7,203	-	16,994	24,197	-
Employee contributions	-	-	-	-	373,853
Total operating revenues	<u>6,922,233</u>	<u>57,636</u>	<u>1,122,229</u>	<u>8,102,098</u>	<u>373,853</u>
Operating expenses					
Landfill	4,803,053	-	-	4,803,053	-
General and administrative	704,040	144,259	1,093,654	1,941,953	18,640
Depreciation	792,725	37,070	88,769	918,564	-
Post closing cost	297,674	-	-	297,674	-
Claims expense	-	-	-	-	336,642
Interest and fees	93,836	-	140,414	234,250	-
Loss on disposal of capital assets	1,304	-	-	1,304	-
Total operating expenses	<u>6,692,632</u>	<u>181,329</u>	<u>1,322,837</u>	<u>8,196,798</u>	<u>355,282</u>
Operating income (loss)	<u>229,601</u>	<u>(123,693)</u>	<u>(200,608)</u>	<u>(94,700)</u>	<u>18,571</u>
Nonoperating revenue					
Investment earnings	223,552	1,799	-	225,351	6,272
Grant - State	195,214	-	-	195,214	-
Total nonoperating revenue	<u>418,766</u>	<u>1,799</u>	<u>-</u>	<u>420,565</u>	<u>6,272</u>
Income (loss) before transfers	648,367	(121,894)	(200,608)	325,865	24,843
Transfers in	-	85,000	355,867	440,867	-
Change in net assets	<u>648,367</u>	<u>(36,894)</u>	<u>155,259</u>	<u>766,732</u>	<u>24,843</u>
Net assets - beginning as previously reported	5,319,101	824,949	-	6,144,050	106,853
Prior period adjustment	19,039	-	-	19,039	-
Total net assets - beginning, as restated	<u>5,338,140</u>	<u>824,949</u>	<u>-</u>	<u>6,163,089</u>	<u>106,853</u>
Total net assets - ending	<u>\$ 5,986,507</u>	<u>\$ 788,055</u>	<u>\$ 155,259</u>	<u>\$ 6,929,821</u>	<u>\$ 131,696</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, 2006

	Enterprise Funds			Total	Internal Service
	Solid Waste Landfill Fund	Efland Sewer Fund	Sportsplex Fund		Dental Insurance Fund
Operating activities					
Cash received from customers	\$ 6,742,776	\$ -	\$ 1,215,328	\$ 7,958,104	\$ -
Cash received from assessments	-	57,636	-	57,636	-
Cash received from federal, state & local agencies	185,278	-	-	185,278	-
Cash received from employee contributions	-	-	-	-	373,853
Cash paid to employees	(179,800)	(140,319)	(335,842)	(655,961)	-
Cash paid for goods and services	(5,693,163)	-	(767,297)	(6,460,460)	(18,640)
Cash paid for claims	-	-	-	-	(343,327)
Net cash provided by (used in) operating activities	1,055,091	(82,683)	112,189	1,084,597	11,886
Noncapital financing activities					
Transfers from other funds	-	85,000	355,867	440,867	-
Unrestricted grants	195,214	-	-	195,214	-
Net cash provided by noncapital financing activities	195,214	85,000	355,867	636,081	-
Capital and related financing activities					
Payments related to the acquisition of capital assets	(720,520)	-	(5,665,176)	(6,385,696)	-
Proceeds from the issuance of long-term debt	335,900	-	6,000,000	6,335,900	-
Payments related to the payment of debt	(519,912)	-	-	(519,912)	-
Net cash provided by (used in) capital and related financing activities	(904,532)	-	334,824	(569,708)	-
Investing activities					
Interest payments received	223,552	1,799	-	225,351	6,272
Net cash provided by investing activities	223,552	1,799	-	225,351	6,272
Net increase in cash and cash equivalents/investments	569,325	4,116	802,880	1,376,321	18,158
Cash and cash equivalents/investments					
Beginning of year	5,770,211	90,499	-	5,860,710	162,742
End of year	\$ 6,339,536	\$ 94,615	\$ 802,880	\$ 7,237,031	\$ 180,900
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 229,601	\$ (123,693)	(200,608)	\$ (94,700)	\$ 18,571
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	792,725	37,070	88,769	918,564	-
Post closing cost	297,674	-	-	297,674	-
Loss on disposal of assets	1,304	-	-	1,304	-
Change in assets and liabilities					
Accounts receivable	5,821	-	(7,186)	(1,365)	-
Prepaid expenses	-	-	(20,089)	(20,089)	-
Accounts payable	(303,239)	3,940	251,303	(47,996)	-
Compensated absences	31,205	-	-	31,205	-
Incurring but not reported reserve	-	-	-	-	(6,685)
Total adjustments	825,490	41,010	312,797	1,179,297	(6,685)
Net cash provided by (used in) operating activities	\$ 1,055,091	\$ (82,683)	\$ 112,189	\$ 1,084,597	\$ 11,886

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, 2006

<u>ASSETS</u>	<u>Agency Funds</u>
Cash and investments	\$ 264,629
Accounts receivable - property taxes, net	153,083
Accounts receivable - other	15,375
TOTAL ASSETS	\$ 433,087

<u>LIABILITIES</u>	
Accounts payable	\$ 339,607
Due to other governments	1,824
Due to library	4,534
Due to cooperative extension	87,122
TOTAL LIABILITIES	\$ 433,087

The accompanying notes are integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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. 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 153A-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, 2006

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, 2006

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, adoption enhancements, and recreation subdivision.

The County reports the following proprietary funds:

Enterprise Funds. The County reports 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.

SportsPlex Fund. This fund accounts for the revenues and expenses related to the provision of the Triangle SportsPlex.

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.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Agency funds have no 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, 2006

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, 2006. During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made during 2006:

	<u>Original Budget</u>	<u>Total Amendments</u>	<u>Revised Budget</u>
GENERAL FUND	\$ 149,856,874	\$ 2,038,939	\$ 151,895,813
SPECIAL REVENUE FUNDS:			
Property Revaluation	158,396	(35,000)	123,396
Emergency Telephone System	493,886	276,620	770,506
Visitor's Bureau	610,960	45,785	656,745
Fire Districts	2,387,097	-	2,387,097
ENTERPRISE FUNDS:			
Solid Waste/Landfill	7,866,367	1,257,833	9,124,200
Efland Sewer Fund	140,000	-	140,000

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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, 2006.

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 \$42,301,195 and a bank balance of \$44,021,501. Of the bank balance, \$2,450,753 was covered by federal depository insurance and \$41,570,748 was covered by collateral held under the Pooling Method. At June 30, 2006, the County had \$9,255 cash on hand.

At year-end, the ABC Board's deposits had a carrying amount of \$1,438,912 and a bank balance of \$1,550,247. All of the bank balance was covered by federal depository insurance.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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, 2006 the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
NC Capital Management Trust – Cash Portfolio	\$37,258,324	N/A	N/A	N/A

At June 30, 2006, the County's investments consisted of \$37,258,324 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, 2006.

6. Cash and Cash Equivalents

The County pools monies 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 \$22,521,235 at June 30, 2006.

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 \$1,000,961 at June 30, 2006.

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, 2006

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Inventories and Prepaid Items

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.

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

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, 2006

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:

Description	Estimated Useful Lives
Buildings	25 – 50 Years
Building improvements	10 – 15 Years
Motor vehicles	3 Years
Furniture, fixtures and equipment	3 – 5 Years
Computers	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, 2006 amounted to \$3,037,850 for governmental activities and \$173,310 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, 2006

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, 2006 amounted to \$10,672,638 in total, \$10,374,533 of which relates to the governmental funds and \$298,105 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 \$132 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, 2006

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, 2007.
- 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, 2006.

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.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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, 2005.

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 2005 through February 2006 apply to the fiscal year ended June 30, 2006. 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 2006-2007 fiscal year and are not shown as receivables at June 30, 2006.

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, 2006 because they are intended to finance the County's operations during the 2007 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, 2006

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, 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	\$ 9,883,007	\$ -	\$ 9,883,007	\$ -	\$ -	\$ 9,883,007
Water resources – Lake Orange	481,624	-	481,624	-	-	481,624
Construction-in-progress	<u>7,415,873</u>	<u>888,928</u>	<u>8,304,801</u>	<u>1,141,807</u>	<u>(578,804)</u>	<u>8,867,804</u>
Total capital assets not being depreciated	<u>17,780,504</u>	<u>888,928</u>	<u>18,669,432</u>	<u>1,141,807</u>	<u>(578,804)</u>	<u>19,232,435</u>
Capital assets being depreciated						
Buildings	27,108,936	-	27,108,936	2,263,804	-	29,372,740
Automotive equipment	5,216,325	1,847,930	7,064,255	1,039,966	(229,486)	7,874,735
Other equipment	<u>3,219,199</u>	<u>12,224</u>	<u>3,231,423</u>	<u>74,266</u>	<u>(60,816)</u>	<u>3,241,873</u>
Total capital assets being depreciated	<u>35,544,460</u>	<u>1,860,154</u>	<u>37,404,614</u>	<u>3,375,036</u>	<u>(290,302)</u>	<u>40,489,348</u>
Less accumulated depreciation for						
Buildings	14,157,795	(44,458)	14,113,337	804,198	-	14,917,535
Automotive equipment	4,120,364	1,676,926	5,797,290	563,367	(228,958)	6,131,699
Other equipment	<u>2,091,155</u>	<u>32,343</u>	<u>2,123,498</u>	<u>256,512</u>	<u>(55,542)</u>	<u>2,324,468</u>
Total accumulated depreciation	<u>20,369,314</u>	<u>\$1,664,811</u>	<u>22,034,125</u>	<u>\$1,624,077</u>	<u>\$(284,500)</u>	<u>23,373,702</u>
Total capital assets being depreciated, net	<u>15,175,146</u>		<u>15,370,489</u>			<u>17,115,646</u>
Governmental activities capital assets, net	<u>\$32,955,650</u>		<u>\$34,039,921</u>			<u>\$36,348,081</u>

*See Note O. 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	\$ 64,642
General services	360,843
Community and environment	60,351
Human services	447,935
Public safety	626,944
Culture and recreation	<u>63,362</u>
Total depreciation expense	<u>\$ 1,624,077</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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	\$ 1,302,630	\$ -	\$ 1,302,630	\$ -	\$ -	\$ 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>3,098,260</u>	<u>-</u>	<u>3,098,260</u>	<u>-</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>6,830,994</u>	<u>378,421</u>	<u>7,209,415</u>	<u>720,520</u>	<u>(185,737)</u>	<u>7,744,198</u>
Total capital assets being depreciated	<u>11,121,477</u>	<u>378,421</u>	<u>11,499,898</u>	<u>720,520</u>	<u>(185,737)</u>	<u>12,034,681</u>
Less accumulated depreciation for						
Land improvements	3,199,761	-	3,199,761	30,819	-	3,230,580
Buildings	197,914	-	197,914	43,019	-	240,933
Equipment	<u>4,450,785</u>	<u>359,382</u>	<u>4,810,167</u>	<u>718,887</u>	<u>(184,433)</u>	<u>5,344,621</u>
Total accumulated depreciation	<u>7,848,460</u>	<u>\$ 359,382</u>	<u>8,207,842</u>	<u>\$ 792,725</u>	<u>\$(184,433)</u>	<u>8,816,134</u>
Total capital assets being depreciated, net	<u>3,273,017</u>		<u>3,292,056</u>			<u>3,218,547</u>
Total Solid Waste Landfill	<u>\$ 6,371,277</u>		<u>\$ 6,390,316</u>			<u>\$ 6,316,807</u>
Efland Sewer						
Capital assets not being depreciated						
Land and right of way			\$ 57,117	\$ -	\$ -	\$ 57,117
Capital assets being depreciated						
Sewer lines			<u>1,482,787</u>	<u>-</u>	<u>-</u>	<u>1,482,787</u>
Less accumulated depreciation for						
Sewer line			<u>591,425</u>	<u>\$ 37,070</u>	<u>\$ -</u>	<u>628,495</u>
Total capital assets being depreciated, net			<u>891,362</u>			<u>854,292</u>
Total Efland Sewer			<u>\$ 948,479</u>			<u>\$ 911,409</u>
SportsPlex						
Capital assets not being depreciated						
Land			\$ -	\$ 407,602	\$ -	\$ 407,602
Total capital assets not being depreciated			<u>-</u>	<u>407,602</u>	<u>-</u>	<u>407,602</u>
Capital assets being depreciated						
Buildings			-	5,243,860	-	5,243,860
Equipment			<u>-</u>	<u>13,714</u>	<u>-</u>	<u>13,714</u>
Total capital assets being depreciated			<u>-</u>	<u>5,257,574</u>	<u>-</u>	<u>5,257,574</u>
Less accumulated depreciation for						
Buildings			-	87,398	-	87,398
Equipment			<u>-</u>	<u>1,371</u>	<u>-</u>	<u>1,371</u>
Total accumulated depreciation			<u>-</u>	<u>\$ 88,769</u>	<u>\$ -</u>	<u>88,769</u>
Total capital assets being depreciated, net			<u>-</u>			<u>5,168,805</u>
Total SportsPlex			<u>\$ -</u>			<u>\$5,576,407</u>
Business-type activities capital assets, net			<u>\$7,338,795</u>			<u>\$12,804,623</u>

*See Note O. Prior Period Adjustment for a description of these items.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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	\$ 252,238	\$ -	\$ -	\$ 252,238
Capital assets being depreciated:				
Building and improvements	1,299,407	5,470	-	1,304,877
Store Number 1 Hillsborough	64,241	-	298	63,943
Store Number 2				
Eastgate/Village Plaza	41,598	-	-	41,598
Store Number 3 Chapel Hill				
North	50,031	2,475	-	52,506
Store Number 4 Mebane	48,041	-	298	47,743
Store Number 5 Eno	74,294	-	298	73,996
Store Number 6 Carrboro	49,487	-	-	49,487
Store Number 9 Carrboro	18,022	3,070	-	21,092
Warehouse fixtures and equipment	2,346	3,459	-	5,805
Office furniture, fixtures and				
equipment	37,892	-	2,291	35,601
Motor vehicles	66,594	-	-	66,594
Total	<u>1,751,953</u>	<u>14,474</u>	<u>3,185</u>	<u>1,763,242</u>
Less accumulated depreciation for:				
Building and improvements	511,229	58,954	-	570,183
Store Number 1 Hillsborough	54,526	-	11,078	43,448
Store Number 2				
Eastgate/Village Plaza	30,457	2,945	-	33,402
Store Number 3 Chapel Hill				
North	32,420	5,001	-	37,421
Store Number 4 Mebane	35,365	-	10,827	24,538
Store Number 5 Eno	63,202	-	8,475	54,727
Store Number 6 Carrboro	33,270	4,734	-	38,004
Store Number 9 Carrboro	7,810	3,777	-	11,587
Warehouse fixtures and equipment	390	561	-	951
Office furniture, fixtures and				
equipment	24,384	287	-	24,671
Motor vehicles	57,346	3,964	-	61,310
Total	<u>850,399</u>	<u>80,223</u>	<u>30,380</u>	<u>900,242</u>
Total capital assets being depreciated, net	<u>901,554</u>	<u>(65,749)</u>	<u>(27,195)</u>	<u>863,000</u>
Orange County ABC Board capital assets, net	<u>\$ 1,153,792</u>	<u>\$ (65,749)</u>	<u>\$ (27,195)</u>	<u>\$ 1,115,238</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

D. DEFERRED/UNEARNED REVENUES

At June 30, 2006 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)	\$ 1,710,284	\$ -
Net property taxes receivable (Fire Districts Special Revenue)	59,693	-
Prepaid taxes (General)	1,372,657	1,372,657
Other deferred revenue	258,218	120,374
	\$ 3,400,852	\$ 1,493,031

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2006:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 125,810,000	\$ 58,550,000	\$ 36,185,000	\$ 148,175,000	\$ 8,960,000
Obligations under capital leases	2,107,612	1,215,255	556,911	2,765,956	915,752
Installment notes payable	24,565,678	17,685,000	4,372,646	37,878,032	4,719,147
Less deferred amounts on refunding of bonds	(1,840,932)	(2,684,049)	-	(4,524,981)	-
Bond premium on refunding	2,912,272	1,340,241	-	4,252,513	-
Accumulated amortization of refunding items	(658,330)	(142,960)	-	(801,290)	-
Accrued compensated absences	2,682,720	980,884	625,754	3,037,850	625,754
Separation allowance	522,897	1,918	-	524,815	-
Total governmental activities	\$ 156,101,917	\$ 76,946,289	\$ 41,740,311	\$ 191,307,895	\$ 15,220,653
Business type activities:					
Obligations under capital leases	\$ 1,152,360	\$ 335,900	\$ 254,430	\$ 1,233,830	\$ 360,305
Installment notes payable	836,342	6,000,000	265,482	6,570,860	567,928
Post closing liability	4,517,211	297,674	-	4,814,885	-
Accrued compensated absences	142,105	57,307	26,102	173,310	26,102
Total business-type activities	\$ 6,648,018	\$ 6,690,881	\$ 546,014	\$ 12,792,885	\$ 954,335

Compensated absences are typically liquidated by the general fund and other governmental funds.

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, 2006

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, 2006 was \$15,585,000.

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, 2006 was \$13,570,000.

The County issued \$29,365,000 of general obligation refunding bonds during fiscal year ending June 30, 2006, for a refunding of \$27,775,000 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 \$27,775,000. 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 \$2,684,049. 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 \$1,368,335 and resulted in economic gain of \$1,102,800. The outstanding amount of the refunded debt at June 30, 2006 was \$28,730,000.

General long-term debt payable at June 30, 2006 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%	\$ 4,464,000
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ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

E. LONG-TERM OBLIGATIONS (continued)

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%	\$ 400,000
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%	336,000
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%	9,850,400
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%	2,516,800
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%	1,422,800
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%	17,875,000
2004 Public Improvement Bonds due in annual installments of \$150,000 through February 1, 2014; interest at 3.25% to 4.25%	4,050,000
2004 Public Improvement Bonds due in annual installments of \$750,000 through February 1, 2014; interest at 3.25% to 4%	20,190,000
2005 Public Improvement Bond due in annual installments of \$1,000,000 through April 1, 2024; interest at 3% to 5%.	29,185,000
Refunding:	
2001 Refunding serial bonds due in annual installments of \$755,000 to \$1,435,000 through February 1, 2014; interest at 4% to 5.25%	15,585,000
2003 Refunding serial bonds due in annual installments of \$971,000 to \$3,350,970 through June 1, 2013; interest at 3% to 5%	13,570,000
2005 Refunding serial bond due in annual installments of \$130,000 to \$4,845,000 through April 1, 2019; interest at 3.25% to 5.25%.	<u>28,730,000</u>
Total general obligation bonds	<u>\$ 148,175,000</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

E. LONG-TERM OBLIGATIONS (continued)

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). Gross amount of equipment acquired under capital lease is \$377,988.	\$ 229,507
Capitalized equipment lease obligation due in semi annual installments of \$194,583 which includes interest at 3.42% through April 20, 2008. Gross amount of equipment acquired under capital lease is \$1,100,691.	746,163
Capitalized equipment lease obligation due in semi annual installments of \$46,266 which includes interest at 3.64% through March 22, 2010. Gross amount of equipment acquired under capital lease is \$419,640.	341,680
Capitalized equipment lease obligation due in annual installments of \$63,074 which includes interest at 3.22% through September 30, 2009. Gross amount of equipment acquired under capital lease is \$287,178.	233,351
Capitalized equipment lease obligation due in semi annual installments of \$241,951 which includes interest at 3.71% through November 19, 2010. Gross amount of equipment acquired under capital lease is \$1,215,255.	<u>1,215,255</u>
Total	<u>2,765,956</u>

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). Gross amount of equipment acquired under capital lease is \$614,106.	372,054
Capitalized equipment lease obligation due in annual installments of \$80,055 which includes interest at 8.22% through December 10, 2009. Gross amount of equipment acquired under capital lease is \$665,511.	525,876
Capitalized equipment lease obligation due in semi annual installments of \$241,951 which includes interest at 3.71% through November 19, 2010. Gross amount of equipment acquired under capital lease is \$335,900.	<u>335,900</u>
Total	<u>1,233,830</u>
Total capital lease obligations	<u>\$ 3,999,786</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

E. LONG-TERM OBLIGATIONS (continued)

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	\$ 2,865,653
Installment note payable due in semi-annual payments which includes interest at 5.54% through July 23, 2006	73,308
Installment note payable due in semi-annual payments which includes interest at 5.05% through July 1, 2008	187,088
Installment note payable due in semi-annual payments of \$239,027 which includes interest at 4.92% through February 1, 2006	2,314,587
Installment note payable in semi-annual payments of \$424,980 which includes interest at 4.92% through February 1, 2006	4,586,834
Installment note payable due in semi-annual payments which includes interest at 4.58% through November 1, 2010	6,825,000
Installment note payable due in annual payments of \$143,490 which includes interest at 3.75% through July 1, 2007 (32.4% governmental)	269,280
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	2,756,035
Installment note payable due in quarterly payments of \$12,251 to \$17,181 which includes interest at 4.17% through October 7, 2012	315,247
Installment note payable due in annual payments of \$745,455 to \$803,636; interest at 4% to 5% through April 1, 2026	16,000,000
Installment note payable due in quarterly payments of \$42,125; interest at 5% through April 27, 2016	<u>1,685,000</u>
Total	<u>37,878,032</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

E. LONG-TERM OBLIGATIONS (continued)

Serviced by the County's enterprise fund:s

Installment note payable due in annual payments of \$299,380, which includes interest at 3.75% through July 1, 2007 (67.6% business-type)	\$ 570,860
Installment note payable due in annual payments of \$745,455 to \$803,636; interest at 4% to 5% through April 1, 2026	<u>6,000,000</u>
Total	<u>6,570,860</u>
Total installment notes payable	<u>\$ 44,448,892</u>

The annual requirements as of June 30, 2006 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:								
2007	\$ 915,752	\$ 90,934	\$ 4,719,147	\$ 1,536,470	\$ 8,960,000	\$ 6,477,396	\$ 14,594,899	\$ 8,104,800
2008	949,890	57,603	4,778,333	1,384,157	8,925,000	6,088,671	14,653,223	7,530,431
2009	583,046	26,384	4,631,162	1,185,004	8,875,000	5,701,721	14,089,208	6,913,109
2010	260,916	9,322	4,290,820	985,524	8,835,000	5,314,283	13,386,736	6,309,129
2011	56,352	1,046	3,881,425	813,119	8,880,000	4,900,883	12,817,777	5,715,048
2012-2016	-	-	7,195,844	2,780,620	43,905,000	18,867,483	51,100,844	21,648,103
2017-2021	-	-	4,377,665	1,556,676	43,120,000	9,284,091	47,497,665	10,840,767
2022-2026	-	-	4,003,636	552,182	16,675,000	1,189,680	20,678,636	1,741,862
Total	<u>\$ 2,765,956</u>	<u>\$ 185,289</u>	<u>\$ 37,878,032</u>	<u>\$ 10,793,752</u>	<u>\$ 148,175,000</u>	<u>\$ 57,824,208</u>	<u>\$ 188,818,988</u>	<u>\$ 68,803,249</u>
Business-Type Activities:								
2007	\$ 360,305	\$ 39,185	\$ 567,928	\$ 258,135	\$ -	\$ -	\$ 928,233	\$ 297,320
2008	375,125	25,672	583,840	264,532	-	-	958,965	290,204
2009	373,870	11,652	301,364	242,345	-	-	675,234	253,997
2010	109,052	2,697	301,364	230,291	-	-	410,416	232,988
2011	15,478	289	301,364	218,236	-	-	316,842	218,525
2012-2016	-	-	1,506,818	910,364	-	-	1,506,818	910,364
2017-2021	-	-	1,506,818	578,864	-	-	1,506,818	578,864
2022-2026	-	-	1,501,364	207,068	-	-	1,501,364	207,068
Total	<u>\$ 1,233,830</u>	<u>\$ 79,495</u>	<u>\$ 6,570,860</u>	<u>\$ 2,909,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,804,690</u>	<u>\$ 2,989,330</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

E. LONG-TERM OBLIGATIONS (continued)

Interest requirements for the general obligation bonds are payable semi-annually at annual rates varying from 3% to 5.3%. 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, 2006, such statutory limit for the County was approximately \$928 million, providing a legal debt margin of approximately \$731 million.

The ABC Board has no long-term debt as of June 30, 2006.

Bonds authorized but unissued at June 30, 2006 was \$6,900,000.

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, 2006, 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 (\$5,016,339) 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, 2006, future minimum rental payments due under the capital leases are as follow:

Total minimum lease payments	\$ 4,264,573
Less amount representing interest	<u>264,787</u>
Present value of minimum lease payments	<u>\$ 3,999,786</u>

The total rental paid for all operating leases was \$537,433 for the year ended June 30, 2006. All operating leases are for terms of one year or less and consist principally of office space rentals for various County functions.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

F. COMMITMENTS AND CONTINGENCIES (continued)

2. School Facilities

For fiscal year 2006-07, the Board of County Commissioners approved a capital plan for both the Chapel Hill-Carrboro and Orange County school systems totaling \$41.7 million over the next three years. Projected pay-as-you-go capital funds and planned alternative financing sources will be used to fund the plan. The amount to be allocated for the fiscal year 2006-07 is approximately \$16.3 million.

3. County Facilities

For fiscal year 2006-07, the Board of County Commissioners approved a capital funding plan for County projects totaling \$26.2 million over the next three years. This plan will be funded by a combination of \$7 million in bond proceeds approved by the voters in 2001 and \$15 million in alternative financing sources with the balance from projected pay-as-you-go revenues. The amount allocated for the fiscal year 2006-07 is approximately \$13.8 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, 2006, 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, 2006:

	<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>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

G. INTERFUND BALANCES AND ACTIVITIES (continued)

For Primary Government:

Due from:

Enterprise Fund:

Efland Sewer Fund

\$ 202,983

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.

TRANSFERS:

The following is a summary of transfers for the year ended June 30, 2006:

Transfers to:	Transfers from:								Total
	General Fund	Special Revenue Funds				Capital Projects Funds		Enterprise Fund	
		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	\$ -	\$ 2,570,000	\$ -	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ 2,870,000
Capital Projects:									
County Cap Improvements	3,328,364	-	-	-	-	-	-	-	3,328,364
School Cap Improvements	4,444,073	-	-	-	-	60,000	-	-	4,504,073
Enterprise Fund:									
Efland Sewer	85,000	-	-	-	-	-	-	-	85,000
Sportsplex	163,435	-	-	-	-	192,432	-	-	355,867
Other Govt Funds	403,354	-	-	-	-	1,006,065	-	-	1,409,419
Total	<u>\$ 8,424,226</u>	<u>\$ 2,570,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,558,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,552,723</u>

All transfers resulted from the need to supplement funding sources.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

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.

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 4.89% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.95% 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, 2004, 2005, and 2006 were \$1,464,254, \$1,580,053, and \$1,738,369 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2005, and 2006 were \$50,411, \$54,245 and \$57,514 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 0.85% 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 plan does not issue a separate stand-alone report.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Active plan members	93
Total	105

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

3. Law Enforcement Officers' Special Separation Allowance (continued)

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 from 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.

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.

Actuarial Assumptions. The amortization method for the separation allowance is level percent of pay closed. The remaining amortization period is 25 years. The amortization period is open.

The annual required contribution for the current year was determined as part of the December 31, 2005 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 4.5% to 12.3% 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	\$ 127,796
Interest on net pension obligation	37,910
Adjustment to annual required contribution	<u>(30,032)</u>
Annual pension cost	135,674
Contributions made	<u>133,756</u>
Increase in net pension obligation	1,918
Net pension obligation, beginning of year	<u>522,897</u>
Net pension obligation, end of year	<u>\$ 524,815</u>

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 135,674	98.59%	\$ 524,815
June 30, 2005	156,781	95.38%	522,897
June 30, 2004	144,681	81.20%	515,656

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

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.

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, 2006 were \$254,957, which consisted of \$192,677 from the County and \$62,280 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, 2006, the County's required and actual contributions were \$36,838.

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, 187 retirees are eligible for health benefits. For the fiscal year ended June 30, 2006, the County made payments for health benefit premiums of \$760,363. The County obtains health care coverage through private insurers.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

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.

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, 2006, the County made contributions to the State for death benefits of \$34,047. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% 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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

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.

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 \$4,814,885 reported as landfill closure and postclosure care liability in the Solid Waste Fund at June 30, 2006, 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 71.8 percent of the estimated capacity of the landfill site south of Eubank Road. The landfill is currently estimated to continue operating until the 2006 fiscal year. The total estimated cost of closure and postclosure care is approximately \$4,842,858. 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.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

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

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.

In complying with these regulations during fiscal year 2006, 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 \$125.5 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 2006, a total of \$355,282 was incurred for benefits and administrative costs.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

L. RISK MANAGEMENT (continued)

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

	<u>Year Ended</u> <u>June 30, 2006</u>	<u>Year Ended</u> <u>June 30, 2005</u>
Unpaid claims, beginning of the year	\$ 55,889	\$ 48,104
Incurred claims	288,536	343,110
Claim payments	<u>(295,221)</u>	<u>(335,325)</u>
Unpaid claims, end of year	<u>\$ 49,204</u>	<u>\$ 55,889</u>

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 COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

N. JOINT VENTURES (continued)

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.

The County makes an annual appropriation to the Authority, but the majority of the funding comes from other sources. During the fiscal year ended June 30, 2006, the County contributed \$1,625,464 to the Authority. None of the participating governments have any equity interest in the Authority, so no equity interest has been reflected in the financial statements at June 30, 2006. Complete financial statements for the Authority can be obtained from the Authority's offices at 333 McMasters Street, Chapel Hill, North Carolina 27514.

O. PRIOR PERIOD ADJUSTMENT

During the fiscal year it was discovered that some capital assets in the governmental activities and the business-type activities had not been recorded. A prior period adjustment has been recorded against net assets of the governmental activities for \$1,084,271 and the net assets of the business-type activities for \$19,039.

The total adjustment to net assets is summarized below:

	Governmental Activities	Business-type Activities
Net Assets - beginning, as previously reported	\$ (73,803,256)	\$ 6,144,050
Prior period adjustments:		
Capital assets being depreciated	1,860,154	378,421
Capital asset depreciation	(1,664,811)	(359,382)
Construction in progress	888,928	-
Total prior period adjustment, net	1,084,271	19,039
Net assets - beginning, as restated	\$ (72,718,985)	\$ 6,163,089

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

P. INTEREST ON UNPAID MOTOR VEHICLE PROPERTY TAXES

During the year the North Carolina General Assembly enacted House Bill 1779 which provides for the creation of a combined motor vehicle registration renewal and property tax collection system. The Bill called for an increase in the first month's interest on uncollected property taxes on registered motor vehicles. This applied to all property taxes levied on registered motor vehicles. The additional interest collected on behalf of the County was required to be remitted to the Department of State Treasurer and be used by the Division of Motor Vehicles to create a combined registration and collection system. Amounts collected by the County and disbursed to the Department of State Treasurer during the year ended June 30, 2006 was \$20,602 and \$16,350.

Q. SUBSEQUENT EVENT

Subsequent to year end, the County commissioners approved the issuance of long-term debt in the amount of \$9 million dollars. The purpose of this new issuance of debt is to fund the completion of a new school. The exact terms of the debt issuance are not yet available.

ORANGE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2006
Required Supplementary Information

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%
12/31/2005	-	1,459,328	1,459,328	0.00%	3,972,345	36.74%

ORANGE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
 Year Ended June 30, 2006
 Required Supplementary Information

Year Ended June 30,	Annual Contributions Required	Percentage Contributed
2006	\$ 127,796	104.66%
2005	148,323	100.82%
2004	136,066	86.34%
2003	132,254	83.21%
2002	127,214	80.72%
2001	118,432	57.14%
2000	107,026	45.25%
1999	96,274	49.06%

ORANGE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2006

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, 2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.25%
Projected salary increases	4.5% - 12.3%
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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005
	Budget	Actual		Actual
Revenues				
Property taxes				
Property tax	\$ 100,719,995	\$ 100,158,918	\$ (561,077)	\$ 88,539,870
Tax penalties and interest	390,000	383,141	(6,859)	393,989
Gross receipts tax	50,000	43,128	(6,872)	40,185
Total property taxes	<u>101,159,995</u>	<u>100,585,187</u>	<u>(574,808)</u>	<u>88,974,044</u>
Sales tax				
Local option sales tax	20,806,210	21,176,362	370,152	19,786,266
Total sales tax	<u>20,806,210</u>	<u>21,176,362</u>	<u>370,152</u>	<u>19,786,266</u>
Intergovernmental revenues				
Refunds - gasoline tax	-	6,242	6,242	11,432
Animal tax	-	-	-	108,825
Beer and wine tax	215,000	207,247	(7,753)	210,399
Federal and State grants	14,157,552	14,545,034	387,482	14,011,474
Local grants	605,496	579,060	(26,436)	501,464
ABC Board Law enforcement distribution	120,000	56,102	(63,898)	112,844
ABC Board Profit distribution	400,000	438,640	38,640	436,974
Total intergovernmental revenues	<u>15,498,048</u>	<u>15,832,325</u>	<u>334,277</u>	<u>15,393,412</u>
Charges for services				
Register of deeds	1,941,580	1,837,820	(103,760)	1,840,574
Land records fees	15,000	10,510	(4,490)	11,134
Collection fees	125,000	133,203	8,203	124,042
Health service fees	1,012,725	1,076,674	63,949	859,010
Health permits	431,575	377,696	(53,879)	375,118
Recreation fees	132,775	156,122	23,347	137,776
Planning fees	762,862	1,095,027	332,165	875,272
Human service charges	2,000	2,135	135	1,420
Aging fees	274,051	274,674	623	238,031
EMS fees	1,463,000	1,778,456	315,456	1,378,126
Sheriff and court charges	2,144,194	2,658,145	513,951	2,073,618
Information system charges	164,101	158,607	(5,494)	155,281
Other charges	111,690	152,238	40,548	115,977
Total charges for services	<u>8,580,553</u>	<u>9,711,307</u>	<u>1,130,754</u>	<u>8,185,379</u>
Investment earnings	510,000	1,209,164	699,164	526,505
Licenses and permits				
Privilege licenses	11,500	12,266	766	9,785
Franchise fees	275,000	256,305	(18,695)	247,065
Total licenses and permits	<u>286,500</u>	<u>268,571</u>	<u>(17,929)</u>	<u>256,850</u>
Miscellaneous revenues				
Donations	60,963	71,473	10,510	64,016
Rent	192,545	190,709	(1,836)	231,118
Other	395,230	448,281	53,051	425,527
Total other revenues	<u>648,738</u>	<u>710,463</u>	<u>61,725</u>	<u>720,661</u>
Total revenues	<u>147,490,044</u>	<u>149,493,379</u>	<u>2,003,335</u>	<u>133,843,117</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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005
	Budget	Actual		Actual
Expenditures				
Governing and management				
County Commissioners	\$ 504,864	\$ 482,872	\$ 21,992	\$ 475,177
County manager	945,213	951,383	(6,170)	932,594
Animal services	1,440,085	1,323,344	116,741	912,204
Budget	263,793	250,154	13,639	260,687
Personnel	685,428	676,685	8,743	638,406
Finance	425,279	425,163	116	413,356
Purchasing	253,041	252,179	862	240,384
Central services	1,948,505	1,664,709	283,796	1,484,022
Non-departmental	1,236,630	1,034,121	202,509	958,566
Total governing and management	7,702,838	7,060,610	642,228	6,315,396
General services				
Information systems	874,701	819,782	54,919	1,118,172
Register of deeds	982,505	928,374	54,131	899,831
Land records	475,064	473,107	1,957	489,077
Assessor	827,513	803,361	24,152	780,543
Elections	476,339	420,474	55,865	471,358
Tax collector	810,487	796,184	14,303	717,021
Buildings and grounds	2,869,507	2,857,087	12,420	2,891,362
Motor pool	357,460	377,779	(20,319)	136,356
Sanitation	1,845,404	1,734,652	110,752	1,645,589
Total general services	9,518,980	9,210,800	308,180	9,149,309
Community and environment				
Planning	2,376,925	2,314,603	62,322	2,262,916
Environmental resource conservation	553,802	458,359	95,443	456,551
Economic development	392,050	381,992	10,058	335,767
Soil and water conservation	271,477	263,706	7,771	257,850
Total community and environment	3,594,254	3,418,660	175,594	3,313,084
Human services				
Social services	19,418,632	18,576,069	842,563	17,930,348
Health	7,715,417	7,358,006	357,411	7,730,267
Cooperative extension	467,283	457,965	9,318	457,253
Aging	2,423,954	2,297,297	126,657	2,314,945
Human rights and relations	516,229	329,327	186,902	244,249
Child support enforcement	807,554	780,284	27,270	773,369
Mental health	83,917	82,514	1,403	75,265
Non-departmental	2,844,150	2,598,645	245,505	1,901,300
Total human services	34,277,136	32,480,107	1,797,029	31,426,996
Education				
Current expense	49,981,296	49,981,296	-	46,736,614
Capital outlay	2,290,258	2,290,258	-	2,015,654
Total education	52,271,554	52,271,554	-	48,752,268

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005
	Budget	Actual		Actual
Expenditures, continued				
Public safety				
Sheriff	\$ 8,357,444	\$ 8,325,777	\$ 31,667	\$ 8,265,598
Emergency services	5,341,451	5,484,249	(142,798)	4,937,059
Courts	191,044	134,183	56,861	141,546
Total public safety	<u>13,889,939</u>	<u>13,944,209</u>	<u>(54,270)</u>	<u>13,344,203</u>
Culture and recreation				
Recreation and parks	1,516,991	1,416,109	100,882	1,362,517
Library services	1,037,665	1,028,023	9,642	966,879
Total culture and recreation	<u>2,554,656</u>	<u>2,444,132</u>	<u>110,524</u>	<u>2,329,396</u>
Debt service				
Principal on bonds				
School bond	10,734,136	6,702,718	4,031,418	5,974,502
County bond	1,483,570	1,813,221	(329,651)	940,498
Private placement				
Schools	3,140,673	3,248,456	(107,783)	3,086,645
County	1,222,005	1,343,748	(121,743)	823,402
Total debt service	<u>16,580,384</u>	<u>13,108,143</u>	<u>3,472,241</u>	<u>10,825,047</u>
Interest and fees				
School bond interest	-	4,423,684	(4,423,684)	4,602,534
County bond interest	1,671,485	1,293,413	378,072	1,042,519
Private placement interest	821,255	853,193	(31,938)	1,072,158
County private placement interest	588,651	188,275	400,376	172,169
Total interest and fees	<u>3,081,391</u>	<u>6,758,565</u>	<u>(3,677,174)</u>	<u>6,889,380</u>
Total debt service	<u>19,661,775</u>	<u>19,866,708</u>	<u>(204,933)</u>	<u>17,714,427</u>
Total expenditures	<u>143,471,132</u>	<u>140,696,780</u>	<u>2,774,352</u>	<u>132,345,079</u>
Excess of revenues over expenditures	<u>4,018,912</u>	<u>8,796,599</u>	<u>4,777,687</u>	<u>1,498,038</u>
Other financing sources (uses)				
Transfers in	2,870,000	2,870,000	-	2,454,825
Transfers out	(8,424,681)	(8,424,226)	455	(3,749,708)
Appropriated fund balance	1,535,769	-	(1,535,769)	-
Total other financing uses	<u>(4,018,912)</u>	<u>(5,554,226)</u>	<u>(1,535,314)</u>	<u>(1,294,883)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>3,242,373</u>	<u>\$ 3,242,373</u>	<u>203,155</u>
Fund balance - beginning of year		21,160,730		20,956,023
(Increase) decrease in reserve for inventory		(31,785)		1,552
Fund balance - end of year		<u>\$ 24,371,318</u>		<u>\$ 21,160,730</u>

ORANGE COUNTY, NORTH CAROLINA
IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	Budget	2006 Actual	Variance- Positive (Negative)	2005 Actual
Revenues				
Fees - Orange County Schools	\$ 970,000	\$ 873,017	\$ (96,983)	\$ 1,178,190
Fees - Chapel Hill, Carrboro Schools	1,600,000	991,880	(608,120)	1,194,090
Total impact fees	<u>2,570,000</u>	<u>1,864,897</u>	<u>(705,103)</u>	<u>2,372,280</u>
Investment earnings - Orange County Schools	-	44,395	44,395	59,328
Investment earnings - Chapel Hill, Carrboro Schools	-	103,193	103,193	25,720
Total investment earnings	<u>-</u>	<u>147,588</u>	<u>147,588</u>	<u>85,048</u>
Total revenues	<u>2,570,000</u>	<u>2,012,485</u>	<u>(557,515)</u>	<u>2,457,328</u>
Other financing uses-				
Transfer out	<u>(2,570,000)</u>	<u>(2,570,000)</u>	<u>-</u>	<u>(3,409,402)</u>
Excess of revenues over other uses	<u>\$ -</u>	<u>(557,515)</u>	<u>\$ (557,515)</u>	<u>(952,074)</u>
Fund balance, beginning of year		<u>3,069,060</u>		<u>4,021,134</u>
Fund balance, end of year		<u>\$ 2,511,545</u>		<u>\$ 3,069,060</u>

MAJOR 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.

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
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, 2006

	Authorizations				Actual		
	Total July 1, 2005	Current Year Increase (Decrease)	Total June 30, 2006	Reported in Prior Years	Closed Out Projects	Current Year	Total To Date
Revenues							
State grants	\$ 6,087,965	\$ 334,140	\$ 6,422,105	\$ 3,384,041	\$ -	\$ 383,117	\$ 3,767,158
Investment earnings	-	-	-	1,572,296	17,621	1,064,172	2,618,847
Other	1,000	-	1,000	919,833	289,467	1,000	631,366
Total revenues	6,088,965	334,140	6,423,105	5,876,170	307,088	1,448,289	7,017,371
Expenditures							
Buildings	4,746,262	(152,000)	4,594,262	2,181,728	347,638	2,102,041	3,936,131
Improvements	17,262,955	8,449,591	25,712,546	7,188,365	231,246	1,484,852	8,441,971
Equipment	5,054,494	1,901,225	6,955,719	6,556,134	4,057,091	1,370,047	3,869,090
Parks	25,020,666	1,175,050	26,195,716	14,710,717	-	468,528	15,179,245
Other	9,402,987	2,603,068	12,006,055	6,213,588	-	1,047,943	7,261,531
Debt service							
Principal	365,276	-	365,276	679,959	95,919	128,761	712,801
Interest	-	-	-	14,258	10,370	-	3,888
Total expenditures	61,852,640	13,976,934	75,829,574	37,544,749	4,742,264	6,602,172	39,404,657
Excess (deficiency) of revenues over expenditures	(55,763,675)	(13,642,794)	(69,406,469)	(31,668,579)	(4,435,176)	(5,153,883)	(32,387,286)
Other financing sources (uses)							
Bonds issuance	33,491,504	3,610,500	37,102,004	33,438,500	-	3,500,000	36,938,500
Refunding issuance	-	-	-	-	-	4,143,402	4,143,402
Refunding issue costs	-	-	-	-	-	(223,402)	(223,402)
Payments to escrow agent - refunding	-	-	-	-	-	(3,920,000)	(3,920,000)
Installment loan issuance	9,400,082	6,713,225	16,113,307	5,943,632	480,000	9,035,000	14,498,632
Capital lease issuance	-	-	-	19,450	-	1,215,255	1,234,705
Transfers in	15,873,156	4,167,501	20,040,657	14,630,961	3,959,017	3,328,364	14,000,308
Transfers out	(3,126,167)	(848,432)	(3,974,599)	(2,599,762)	(3,841)	(1,558,497)	(4,154,418)
Appropriated fund balance	125,100	-	125,100	2,000	-	-	2,000
Total other financing sources	55,763,675	13,642,794	69,406,469	51,434,781	4,435,176	15,520,122	62,519,727
Excess of revenue and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ 19,766,202	\$ -	10,366,239	\$ 30,132,441
Fund balance, beginning of year						19,766,202	
Fund balance, end of year						\$ 30,132,441	

ORANGE COUNTY, NORTH CAROLINA
SCHOOL CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2006

	Authorizations		Actual				
	Total July 1, 2005	Current Year Increase (Decrease)	Total June 30, 2006	Reported in Prior Years	Closed Out Projects	Current Year	Total To Date
Revenues							
State grants	\$ 7,568,867	\$ -	\$ 7,568,867	\$ 6,699,670	\$ -	\$ -	\$ 6,699,670
Investment earnings	2,425,887	-	2,425,887	859,139	-	1,109,837	1,968,976
Other	-	-	-	21,089	-	-	21,089
Total revenues	<u>9,994,754</u>	-	<u>9,994,754</u>	<u>7,579,898</u>	-	<u>1,109,837</u>	<u>8,689,735</u>
Expenditures							
Orange County School Projects	83,523,466	1,271,968	84,795,434	79,502,410	-	1,379,593	80,882,003
Chapel Hill School Projects	109,425,311	4,559,688	113,984,999	63,656,862	-	29,202,610	92,859,472
Bond issuance costs	-	-	-	280,733	-	166,913	447,646
Total expenditures	<u>192,948,777</u>	<u>5,831,656</u>	<u>198,780,433</u>	<u>143,440,005</u>	-	<u>30,749,116</u>	<u>174,189,121</u>
Excess (deficiency) of revenues over expenditures	<u>(182,954,023)</u>	<u>(5,831,656)</u>	<u>(188,785,679)</u>	<u>(135,860,107)</u>	-	<u>(29,639,279)</u>	<u>(165,499,386)</u>
Other financing sources (uses)							
Bonds issuance	103,742,373	811,678	104,554,051	79,774,039	-	25,685,000	105,459,039
Refunding issuance	-	-	-	43,410,000	-	25,221,598	68,631,598
Bond premium on refunding	-	-	-	2,912,272	-	(1,366,598)	1,545,674
Payments to escrow agent - refunding	-	-	-	(46,065,932)	-	(23,855,000)	(69,920,932)
Installment loan issuance	29,269,252	2,071,896	31,341,148	14,615,000	-	8,650,000	23,265,000
Transfers in	52,005,755	2,948,082	54,953,837	43,015,910	-	4,504,073	47,519,983
Transfers out	(2,559,887)	-	(2,559,887)	(643,502)	-	-	(643,502)
Appropriated fund balance	496,530	-	496,530	-	-	-	-
Total other financing sources	<u>182,954,023</u>	<u>5,831,656</u>	<u>188,785,679</u>	<u>137,017,787</u>	-	<u>38,839,073</u>	<u>175,856,860</u>
Excess of revenue and other financing sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ 1,157,680	\$ -	\$ 9,199,794	\$ 10,357,474
Fund balance, beginning of year							
							<u>1,157,680</u>
Fund balance, end of year							<u>\$ 10,357,474</u>

ORANGE COUNTY, NORTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

ASSETS														
	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported Fund	Grant Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	House	Library Development	Adoption Enhancement	Recreation Subdivision Fund	Total Nonmajor Governmental Funds
Cash and investments	\$ 108,207	\$ 90,956	\$ 538,276	\$ 321,098	\$ -	\$ 42,031	\$ 1,295,871	\$ 406,214	\$ 318,162	\$ 8,350	\$ 121,340	\$ 114,011	\$ 1,089,068	\$ 4,453,884
Accounts receivable - property taxes, net	-	-	-	-	-	-	31,830	-	59,693	-	-	-	-	59,693
Accounts receivable - state	-	-	-	-	36,862	-	36,602	112,578	-	-	-	-	-	68,692
Accounts receivable - other	-	-	-	-	36,862	-	-	518,792	377,855	8,350	121,340	114,011	1,089,068	1,731,149
TOTAL ASSETS	\$ 108,207	\$ 90,956	\$ 538,276	\$ 321,098	\$ 36,862	\$ 42,031	\$ 1,364,303	\$ 518,792	\$ 377,855	\$ 8,350	\$ 121,340	\$ 114,011	\$ 1,089,068	\$ 4,731,149

LIABILITIES AND FUND BALANCES

Liabilities	\$ 3,047	\$ 855	\$ -	\$ 5,804	\$ 10,040	\$ 2,225	\$ 8,075	\$ 14,796	\$ -	\$ -	\$ 113,038	\$ 1,105	\$ -	\$ 158,985
Accounts payable	600	-	-	4,303	4,189	-	1,271	-	-	-	-	-	-	10,463
Due to other funds	-	-	-	-	13,885	-	-	-	-	-	-	-	-	13,885
Deferred revenue	-	-	-	-	-	-	-	-	59,693	-	-	-	-	59,693
Total liabilities	3,647	855	-	10,207	28,114	2,225	9,346	14,796	59,693	-	113,038	1,105	-	243,026
Fund balances	-	14,185	-	490	5,007	35,862	68,297	3,415	-	-	-	4,033	-	121,289
Reserved for encumbrances	-	-	-	-	36,862	-	68,432	112,578	-	-	-	-	-	217,872
Reserved for State statute	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved	84,581	75,916	538,276	310,301	(33,121)	3,944	1,218,228	73,153	36,489	8,350	8,302	108,873	1,089,068	202,373
Designated for subsequent year's expenditures	19,279	-	-	-	-	-	-	314,850	281,073	-	-	-	-	3,936,389
Undesignated	104,560	90,101	538,276	310,891	8,748	39,806	1,351,957	503,296	318,162	8,350	8,302	112,206	1,089,068	4,488,123
Total fund balances	\$ 108,207	\$ 90,956	\$ 538,276	\$ 321,098	\$ 36,862	\$ 42,031	\$ 1,364,303	\$ 518,792	\$ 377,855	\$ 8,350	\$ 121,340	\$ 114,011	\$ 1,089,068	\$ 4,731,149
TOTAL LIABILITIES AND FUND BALANCES	\$ 108,207	\$ 90,956	\$ 538,276	\$ 321,098	\$ 36,862	\$ 42,031	\$ 1,364,303	\$ 518,792	\$ 377,855	\$ 8,350	\$ 121,340	\$ 114,011	\$ 1,089,068	\$ 4,731,149

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.

Recreation Subdivision Fund - accounts for payments received from local developers to assist in construction of recreation projects in and around County subdivisions.

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported Fund	Grant Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Housing	Library Development Fund	Adoption Enhancement	Recreation Subdivision Fund	Total Nonmajor Governmental Funds
Revenues														
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,010	\$ 2,489,559	\$ -	\$ -	\$ -	\$ -	\$ 3,065,569
Intergovernmental revenues	-	377,675	-	4,493,270	491,818	552,334	216,295	-	-	-	-	-	-	6,131,392
Charges for services	-	-	-	-	43,571	-	-	-	-	-	-	-	-	43,571
Investment earnings	3,043	-	19,131	6,648	-	-	46,565	15,578	10,265	296	8,302	4,311	38,213	152,352
Miscellaneous	3,043	67,237	19,131	4,499,918	535,389	552,334	408,676	50,720	2,499,824	296	8,302	2,131	41,790	572,554
Total revenues		444,912	19,131	4,499,918	535,389	552,334	671,536	642,308	2,499,824	296	8,302	6,442	83,003	9,966,438
Expenditures														
Current:														
General services	-	765,928	-	-	-	-	-	-	-	-	-	-	-	765,928
Community and environment	76,437	-	-	4,267,661	638,540	(12,708)	-	576,044	-	-	-	-	-	5,545,974
Human services	-	-	-	-	-	-	-	-	-	-	-	32,460	-	32,460
Public safety	76,437	765,928	-	4,267,661	638,540	564,797	652,949	576,044	2,387,096	-	-	-	-	3,603,842
Total expenditures		1,608,393		4,267,661	638,540	552,089	652,949	576,044	2,387,096			32,460		9,949,204
Excess (deficiency) of revenues over (under) expenditures	(73,394)	(321,016)	19,131	232,257	(103,151)	245	18,587	66,264	112,728	296	8,302	(26,018)	83,003	17,234
Other financing sources (uses)														
Transfers in	50,000	270,360	-	-	82,994	-	-	-	-	-	-	-	1,006,065	1,409,419
	50,000	270,360	-	-	82,994	-	-	-	-	-	-	-	1,006,065	1,409,419
Total other financing sources (uses)														
Net change in fund balances	(23,394)	(50,656)	19,131	232,257	(20,157)	245	18,587	66,264	112,728	296	8,302	(26,018)	1,089,068	1,426,653
Fund balance - beginning	127,954	140,757	519,145	78,634	28,905	39,561	1,336,370	437,732	205,434	8,054	-	138,934	-	3,061,470
Fund balance - ending	104,560	90,101	538,276	310,891	8,748	39,806	1,354,957	503,996	318,162	8,350	8,302	112,916	1,089,068	4,488,123

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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Investment earnings	\$ -	\$ 3,043	\$ 3,043	\$ 481
Expenditures				
Community and environment				
Property revaluation				
Personal services	66,126	65,612	514	90,745
Operations	57,270	10,825	46,445	38,561
Equipment	-	-	-	5,980
Total expenditures	<u>123,396</u>	<u>76,437</u>	<u>46,959</u>	<u>135,286</u>
Excess (deficiency) of revenues over expenditures	<u>(123,396)</u>	<u>(73,394)</u>	<u>50,002</u>	<u>(134,805)</u>
Other financing sources				
Transfers in	50,000	50,000	-	155,611
Appropriated fund balance	73,396	-	(73,396)	-
Total other financing sources (uses)	<u>123,396</u>	<u>50,000</u>	<u>(73,396)</u>	<u>155,611</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(23,394)</u>	<u>\$ (23,394)</u>	<u>20,806</u>
Fund balance, beginning of year		<u>127,954</u>		<u>107,148</u>
Fund balance, end of year		<u>\$ 104,560</u>		<u>\$ 127,954</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, 2006

	Budget to Date	Reported in Prior Years	Actual Current Year	Total to Date
Revenues				
HUD Grants	\$ 6,643,374	\$ 3,869,838	\$ 198,589	\$ 4,068,427
CDBG grants:				
Richmond Hills	250,000	250,000	-	250,000
Scattered Site	800,000	400,000	179,086	579,086
HOME partnership	803,600	803,600	-	803,600
IDA	95,000	31,000	-	31,000
Investment earnings	1,000	7,561	-	7,561
Program income - HOME	-	502,986	67,237	570,223
Other	159,830	137,111	-	137,111
Total revenues	8,752,804	6,002,096	444,912	6,447,008
Expenditures				
General services				
Administration	1,295,315	706,203	231,353	937,556
Administration - Richmond Hills	250,000	250,000	-	250,000
Administration - Scattered Site	80,000	38,880	39,550	78,430
Administration - IDA	170,000	60,900	-	60,900
Rehabilitation	4,088,872	2,979,074	342,836	3,321,910
Rehabilitation - HOME partnership	453,600	459,133	-	459,133
Rehabilitation - Scattered Site	720,000	408,911	116,561	525,472
Affordable housing - Impact fee reimbursement	3,199,548	2,343,839	35,628	2,379,467
Affordable housing - HOME partnership	150,000	143,500	-	143,500
Public facilities improvement - HOME partnership	200,000	197,098	-	197,098
Total expenditures	10,607,335	7,587,538	765,928	8,353,466
Deficiency of revenues over expenditures	(1,854,531)	(1,585,442)	(321,016)	(1,906,458)
Other financing sources (uses)				
Transfers in	2,170,099	1,995,733	270,360	2,266,093
Transfers out	(329,534)	(269,534)	-	(269,534)
Appropriated fund balance	13,966	-	-	-
Total other financing sources	1,854,531	1,726,199	270,360	1,996,559
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 140,757	(50,656)	\$ 90,101
Fund balance, beginning of year			140,757	
Fund balance, end of year			\$ 90,101	

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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Investment earnings	\$ -	\$ 19,131	\$ 19,131	\$ 15,708
Excess of revenues over expenditures	<u>-</u>	<u>19,131</u>	<u>19,131</u>	<u>15,708</u>
Other financing (uses)				
Transfer out	-	-	-	(391,292)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(391,292)</u>
Excess (deficiency) of revenues over other financing uses	<u>\$ -</u>	<u>19,131</u>	<u>\$ 19,131</u>	<u>(375,584)</u>
Fund balance, beginning of year		<u>519,145</u>		<u>894,729</u>
Fund balance, end of year		<u>\$ 538,276</u>		<u>\$ 519,145</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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005 Actual
	Budget	Actual		
Revenues				
Federal grants				
Housing vouchers	\$ 4,451,565	\$ 4,493,270	\$ 41,705	\$ 4,477,597
Investment earnings	328	6,648	6,320	285
Total revenues	<u>4,451,893</u>	<u>4,499,918</u>	<u>48,025</u>	<u>4,477,882</u>
Expenditures				
Community and environment				
Housing vouchers				
Administration	357,544	357,327	217	408,777
Assistance payments	4,094,349	3,910,334	184,015	4,087,013
Total expenditures	<u>4,451,893</u>	<u>4,267,661</u>	<u>184,232</u>	<u>4,495,790</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>232,257</u>	<u>\$ 232,257</u>	<u>(17,908)</u>
Fund balance, beginning of year		<u>78,634</u>		<u>96,542</u>
Fund balance, end of year		<u>\$ 310,891</u>		<u>\$ 78,634</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - GRANT SUPPORTED PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2006

	2006		Positive (Negative) Variance
	Budget	Actual	
Revenues			
Health Grants	\$ 283,636	\$ 218,534	\$ 65,102
Aging	39,652	40,690	(1,038)
Sheriff	225,937	232,594	(6,657)
Miscellaneous fees	58,032	43,571	14,461
Total revenues	<u>607,257</u>	<u>535,389</u>	<u>71,868</u>
Expenditures			
Health			
Personal services	217,529	179,712	37,817
Operating	47,320	47,915	(595)
Aging			
Personal services	115,399	117,253	(1,854)
Operating	72,566	57,268	15,298
EMS			-
Personal services	48,549	50,575	(2,026)
Operating	188,888	185,817	3,071
Total expenditures	<u>690,251</u>	<u>638,540</u>	<u>51,711</u>
Deficiency of revenues over expenditures	<u>(82,994)</u>	<u>(103,151)</u>	<u>20,157</u>
Other financing sources			
Transfers in	82,994	82,994	-
Deficiency of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(20,157)</u>	<u>\$ 20,157</u>
Fund balance, beginning of year		<u>28,905</u>	
Fund balance, end of year		<u>\$ 8,748</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, 2006

	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	1,909,385	-	-	1,909,385
Cooperative extension	248,171	93,378	-	-	93,378
Aging	473,526	521,523	-	390	521,913
Hazard mitigation grant	494,057	410,643	-	-	410,643
Sheriff	3,046,126	2,330,333	-	547,017	2,877,350
Planning	270,520	129,258	-	4,927	134,185
Library	15,113	14,971	-	-	14,971
Total revenues	7,410,590	5,657,724	-	552,334	6,210,058
Expenditures					
Community and environment					
Personal services	33,182	-	-	-	-
Operating	1,170	21,362	-	(13,232)	8,130
Social services					
Personal services	237,926	84,329	-	-	84,329
Operating	55,672	57,578	-	-	57,578
Health					
Personal services	1,878,741	1,486,817	-	-	1,486,817
Operating	742,757	453,412	-	-	453,412
Cooperative extension					
Personal services	126,169	148,915	-	-	148,915
Operating	122,002	46,230	-	-	46,230
Aging					
Personal services	239,327	272,131	-	-	272,131
Operating	234,199	255,325	-	-	255,325
EMS					
Personal services	90,631	87,782	-	-	87,782
Operating	841,706	738,954	-	5,317	744,271
Sheriff					
Personal services	2,061,391	2,261,214	-	-	2,261,214
Operating	1,053,034	199,837	-	559,480	759,317
Planning					
Personal services	306,777	165,297	-	-	165,297
Operating	292,199	278,496	-	-	278,496
Library					
Operating	15,113	14,578	-	524	15,102
Total expenditures	8,331,996	6,572,257	-	552,089	7,124,346
Excess (deficiency) of revenues over expenditures	(921,406)	(914,533)	-	245	(914,288)
Other financing sources					
Transfers in	921,406	954,094	-	-	954,094
Excess of revenues and other financing sources over expenditures	\$ -	\$ 39,561	\$ -	245	\$ 39,806
Fund balance, beginning of year				39,561	
Fund balance, end of year				\$ 39,806	

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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005 Actual
	Budget	Actual		
Revenues				
State wireless enhanced 911	\$ 170,653	\$ 216,295	\$ 45,642	\$ 175,887
Investment earnings	-	46,565	46,565	23,309
Subscriber fees	326,035	408,676	82,641	375,758
Total revenues	<u>496,688</u>	<u>671,536</u>	<u>174,848</u>	<u>574,954</u>
Expenditures				
Personal services	124,604	126,659	(2,055)	118,530
Operations	554,995	476,741	78,254	289,451
Capital outlay	90,907	49,549	41,358	50,757
Total expenditures	<u>770,506</u>	<u>652,949</u>	<u>117,557</u>	<u>458,738</u>
Excess (deficiency) of revenues over expenditures	<u>(273,818)</u>	<u>18,587</u>	<u>292,405</u>	<u>116,216</u>
Other financing sources (uses)				
Transfers out	-	-	-	(36,000)
Appropriated fund balance	273,818	-	(273,818)	-
Total other financing sources (uses)	<u>273,818</u>	<u>-</u>	<u>(273,818)</u>	<u>(36,000)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>18,587</u>	<u>\$ 18,587</u>	<u>80,216</u>
Fund balance, beginning of year		<u>1,336,370</u>		<u>1,256,154</u>
Fund balance, end of year		<u>\$ 1,354,957</u>		<u>\$ 1,336,370</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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance - Positive (Negative)	2005 Actual
	Budget	Actual		
Revenues				
Occupancy tax	\$ 479,640	\$ 576,010	\$ 96,370	\$ 513,486
Investment earnings	3,000	15,578	12,578	6,423
Other	54,000	50,720	(3,280)	66,956
Total revenues	<u>536,640</u>	<u>642,308</u>	<u>105,668</u>	<u>586,865</u>
Expenditures				
Community and environment				
Operations	301,410	268,919	32,491	202,482
Personal services	316,610	299,845	16,765	279,767
Capital outlay	17,725	7,280	10,445	692
Total expenditures	<u>635,745</u>	<u>576,044</u>	<u>59,701</u>	<u>482,941</u>
Excess (deficiency) of revenues over expenditures	<u>(99,105)</u>	<u>66,264</u>	<u>165,369</u>	<u>103,924</u>
Other financing sources (uses)				
Transfers out	-	-	-	(42,000)
Appropriated fund balance	99,105	-	(99,105)	-
Total other financing sources (uses)	<u>99,105</u>	<u>-</u>	<u>(99,105)</u>	<u>(42,000)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>66,264</u>	<u>\$ 66,264</u>	<u>61,924</u>
Fund balance, beginning of year		<u>437,732</u>		<u>375,808</u>
Fund balance, end of year		<u>\$ 503,996</u>		<u>\$ 437,732</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, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance - Positive (Negative)	2005 Actual
	Budget	Actual		
Revenues				
Property taxes - current	\$ 2,355,525	\$ 2,452,920	\$ 97,395	\$ 2,261,719
Property taxes - delinquent	27,148	36,639	9,491	37,115
Investment earnings	4,424	10,265	5,841	3,643
Total revenues	<u>2,387,097</u>	<u>2,499,824</u>	<u>112,727</u>	<u>2,302,477</u>
Expenditures				
Public safety				
Remittances to fire districts	<u>2,387,097</u>	<u>2,387,096</u>	<u>1</u>	<u>2,275,782</u>
Excess of revenues over expenditures	<u>-</u>	<u>112,728</u>	<u>112,728</u>	<u>26,695</u>
Other financing sources				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>112,728</u>	<u>\$ 112,728</u>	<u>26,695</u>
Fund balance, beginning of year		<u>205,434</u>		<u>178,739</u>
Fund balance, end of year		<u>\$ 318,162</u>		<u>\$ 205,434</u>

ORANGE COUNTY, NORTH CAROLINA
HEUSNER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006		Variance - Positive (Negative)	Actual 2005
	Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 296	\$ 296	\$ 145
Excess of revenues over expenditures	<u>\$ -</u>	<u>296</u>	<u>\$ 296</u>	<u>145</u>
Fund balance, beginning of year		<u>8,054</u>		<u>7,909</u>
Fund balance, end of year		<u>\$ 8,350</u>		<u>\$ 8,054</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - LIBRARY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2006

	2006		Positive (Negative) Variance
	Budget	Actual	
Revenues			
Investment earnings	\$ -	\$ 8,302	\$ 8,302
Total revenues	<u>-</u>	<u>8,302</u>	<u>8,302</u>
Expenditures			
Culture and recreation		-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>8,302</u>	<u>8,302</u>
Other financing sources			
Transfers in	-	-	-
Deficiency of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>8,302</u>	<u>\$ 8,302</u>
Fund balance, beginning of year		<u>-</u>	
Fund balance, end of year		<u>\$ 8,302</u>	

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - ADOPTION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2006

	Budget to Date	Actual		
		Reported in Prior Year	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 3,749	\$ 4,311	\$ 8,060
Other	110,619	123,554	2,131	125,685
Total revenues	<u>110,619</u>	<u>127,303</u>	<u>6,442</u>	<u>133,745</u>
Expenditures				
Adoption enhancement	187,564	65,324	32,460	97,784
Excess (deficiency) of revenues over expenditures	<u>(76,945)</u>	<u>61,979</u>	<u>(26,018)</u>	<u>35,961</u>
Other financing sources				
Transfer from other funds	76,945	76,945	-	76,945
Excess (deficiency) over revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 138,924</u>	<u>(26,018)</u>	<u>\$ 112,906</u>
Fund balance, beginning of year			<u>138,924</u>	
Fund balance, end of year			<u>\$ 112,906</u>	

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - RECREATION SUBDIVISION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2006

	2006		Positive (Negative) Variance
	Budget	Actual	
Revenues			
Investment earnings	\$ -	\$ 38,213	\$ 38,213
Subdivision payments	-	44,790	44,790
Total revenues	-	83,003	83,003
Excess (deficiency) of revenues over expenditures	-	83,003	83,003
Other financing sources			
Transfers from capital projects	-	1,006,065	1,006,065
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	1,089,068	\$ 1,089,068
Fund balance, beginning of year		-	
Fund balance, end of year		\$ 1,089,068	

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.

SportsPlex Fund - accounts for revenues and expenses related to the operation of the Triangle SportsPlex.

ORANGE COUNTY, NORTH CAROLINA
SOLID WASTE LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2006
With Comparative Totals for the Year Ended June 30, 2005

	2006			2005 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Landfill fees	\$ 3,603,725	\$ 3,761,371	\$ 157,646	\$ 3,741,051
Recycling	2,841,318	3,054,055	212,737	2,934,290
Mulch sales	82,000	99,604	17,604	109,848
Grants - State	158,500	195,214	36,714	215,868
Other	900	7,203	6,303	3,213
Investment earnings	35,000	223,552	188,552	92,494
Total revenues	<u>6,721,443</u>	<u>7,340,999</u>	<u>619,556</u>	<u>7,096,764</u>
Expenditures				
Administration	1,160,517	976,923	183,594	619,409
Landfill	2,724,466	1,746,570	977,896	1,833,728
Recycling	3,771,371	2,325,708	1,445,663	2,638,189
Contract services	638,997	457,892	181,105	327,190
Post closing cost	-	297,674	(297,674)	244,965
Loss on disposal of fixed assets	-	1,304	(1,304)	-
Total expenditures	<u>8,295,351</u>	<u>5,806,071</u>	<u>2,489,280</u>	<u>5,663,481</u>
Excess (deficiency) of revenues over expenditures	<u>(1,573,908)</u>	<u>1,534,928</u>	<u>3,108,836</u>	<u>1,433,283</u>
Other financing sources (uses)				
Appropriated fund balance	1,820,267	-	(1,820,267)	-
Installment purchase contract issuance	335,900	335,900	-	553,979
Debt service - principal	(582,259)	(519,912)	62,347	(309,759)
Debt service - interest	-	(93,836)	(93,836)	(45,122)
Transfers out	-	-	-	(240,258)
Total other financing sources (uses)	<u>1,573,908</u>	<u>(277,848)</u>	<u>(1,851,756)</u>	<u>(41,160)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,257,080</u>	<u>\$ 1,257,080</u>	<u>\$ 1,392,123</u>
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ 1,257,080		\$ 1,392,123
Reconciling items -				
Capital outlay		-		778,959
Depreciation		(792,725)		(837,153)
Debt service		519,912		309,759
Installment purchase contract issuance		(335,900)		(553,979)
CHANGE IN NET ASSETS		<u>\$ 648,367</u>		<u>\$ 1,089,709</u>

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)

Year Ended June 30, 2006
 With Comparative Totals for the Year Ended June 30, 2005

	2006		Positive (Negative) Variance	2005 Actual
	Budget	Actual		
Revenues				
Service fees	\$ 55,000	\$ 57,636	\$ 2,636	\$ 62,479
Interest on investments	-	1,799	1,799	972
Total revenues	<u>55,000</u>	<u>59,435</u>	<u>4,435</u>	<u>63,451</u>
Expenditures				
Operations	<u>140,000</u>	<u>144,259</u>	<u>(4,259)</u>	<u>140,408</u>
Excess (deficiency) of revenues over expenditures	<u>(85,000)</u>	<u>(84,824)</u>	<u>176</u>	<u>(76,957)</u>
Other financing sources				
Transfers in	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>80,000</u>
Total other financing sources	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>80,000</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 176</u>	<u>\$ 176</u>	<u>\$ 3,043</u>
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ 176		\$ 3,043
Reconciling items - Depreciation		<u>(37,070)</u>		<u>(37,069)</u>
Change in net assets		<u>\$ (36,894)</u>		<u>\$ (34,026)</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, 2006

	Authorizations			Actual		
	Total July 1, 2005	Current Year Increase (Decrease)	Total June 30, 2006	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	-	-	-
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
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
	1,582,645	-	1,582,645	1,556,358	-	1,556,358
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

ORANGE COUNTY, NORTH CAROLINA
SPORTSPLEX FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2006

	2006		
	Budget	Actual	Positive (Negative) Variance
Revenues			
Service fees	\$ 866,300	\$ 1,105,235	\$ 238,935
Other	-	16,994	16,994
Total revenues	<u>866,300</u>	<u>1,122,229</u>	<u>255,929</u>
Expenditures			
Operations	<u>1,132,167</u>	<u>1,093,654</u>	<u>38,513</u>
Excess (deficiency) of revenues over expenditures	<u>(265,867)</u>	<u>28,575</u>	<u>294,442</u>
Other financing sources			
Debt service - interest	(90,000)	(140,414)	(50,414)
Transfers in	355,867	355,867	-
Total other financing sources	<u>265,867</u>	<u>215,453</u>	<u>(50,414)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 244,028</u>	<u>\$ 244,028</u>
Reconciliation of modified accrual basis to full accrual basis			
Sportsplex Operating Fund - excess of revenues and other financing sources over expenditures		\$ 244,028	
Reconciling items - Depreciation		<u>(88,769)</u>	
Change in net assets		<u>\$ 155,259</u>	

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2006

ASSETS

	School District	Senior Center	Cooperative Extension 4-H	Hyconeechee Regional Library	No Fault Well Repair	Communication Tower Trust Fund	Totals
Cash and investments	\$ 48,682	\$ -	\$ 99,779	\$ -	\$ 102,219	\$ 13,949	\$ 264,629
Accounts receivable - property taxes, net	153,083	-	-	-	-	-	153,083
Accounts receivable - other	-	-	-	6,621	8,754	-	15,375
TOTAL ASSETS	\$ 201,765	\$ -	\$ 99,779	\$ 6,621	\$ 110,973	\$ 13,949	\$ 433,087

LIABILITIES

Accounts payable	\$ 201,765	\$ -	\$ 12,657	\$ 263	\$ 110,973	\$ 13,949	\$ 339,607
Due to other governments	-	-	-	1,824	-	-	1,824
Due to library	-	-	-	4,534	-	-	4,534
Due to cooperative extension	-	-	87,122	-	-	-	87,122
TOTAL LIABILITIES	\$ 201,765	\$ -	\$ 99,779	\$ 6,621	\$ 110,973	\$ 13,949	\$ 433,087

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2006

	July 1, 2005	Additions	Deductions	June 30, 2006
<u>SCHOOL DISTRICT FUND:</u>				
Assets				
Cash and investments	\$ 53,061	\$ 14,290,145	\$ 14,294,524	\$ 48,682
Accounts receivable - property taxes, net	149,732	14,293,424	14,290,073	153,083
Total assets	\$ 202,793	\$ 28,583,569	\$ 28,584,597	\$ 201,765
Liabilities				
Accounts payable	\$ 202,793	\$ 28,583,569	\$ 28,584,597	\$ 201,765
Total liabilities	\$ 202,793	\$ 28,583,569	\$ 28,584,597	\$ 201,765
<u>SENIOR CENTER FUND</u>				
Assets				
Cash and investments	\$ -	\$ 46,551	\$ 46,551	\$ -
Total assets	\$ -	\$ 46,551	\$ 46,551	\$ -
Liabilities				
Accounts payable	\$ -	\$ 46,551	\$ 46,551	\$ -
Total liabilities	\$ -	\$ 46,551	\$ 46,551	\$ -
<u>COOPERATIVE EXTENSION 4-H FUND</u>				
Assets				
Cash and investments	\$ 134,618	\$ 84,776	\$ 119,615	\$ 99,779
Total assets	\$ 134,618	\$ 84,776	\$ 119,615	\$ 99,779
Liabilities				
Accounts payable	\$ 11,684	\$ 12,657	\$ 11,684	\$ 12,657
Due to cooperative extension	122,934	72,119	107,931	87,122
Total liabilities	\$ 134,618	\$ 84,776	\$ 119,615	\$ 99,779
<u>HYCONEECHEE REGIONAL LIBRARY FUND</u>				
Assets				
Cash and investments	\$ (435)	\$ 479,108	\$ 478,673	\$ -
Accounts receivable - other	5,924	6,621	5,924	6,621
Total assets	\$ 5,489	\$ 485,729	\$ 484,597	\$ 6,621
Liabilities				
Accounts payable	\$ 580	\$ 263	\$ 580	\$ 263
Due to other governments	-	1,824	-	1,824
Due to library	4,909	485,466	485,841	4,534
Total liabilities	\$ 5,489	\$ 487,553	\$ 486,421	\$ 6,621
<u>NO FAULT WELL REPAIR</u>				
Assets				
Cash and investments	\$ 92,842	\$ 18,537	\$ 9,160	\$ 102,219
Accounts receivable - other	59,885	8,754	59,885	8,754
Total assets	\$ 152,727	\$ 27,291	\$ 69,045	\$ 110,973
Liabilities				
Accounts payable	\$ 152,727	\$ 27,291	\$ 69,045	\$ 110,973
Total liabilities	\$ 152,727	\$ 27,291	\$ 69,045	\$ 110,973
<u>COMMUNICATION TOWER TRUST FUND</u>				
Assets				
Cash and investments	\$ 12,473	\$ 1,476	\$ -	\$ 13,949
Total assets	\$ 12,473	\$ 1,476	\$ -	\$ 13,949
Liabilities				
Accounts payable	\$ 12,473	\$ 1,476	\$ -	\$ 13,949
Total liabilities	\$ 12,473	\$ 1,476	\$ -	\$ 13,949
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 292,559	\$ 14,920,593	\$ 14,948,523	\$ 264,629
Accounts receivable - property taxes, net	149,732	14,293,424	14,290,073	153,083
Accounts receivable - other	65,809	15,375	65,809	15,375
Total assets	\$ 508,100	\$ 29,229,392	\$ 29,304,405	\$ 433,087
Liabilities				
Accounts payable	\$ 380,257	\$ 28,671,807	\$ 28,712,457	\$ 339,607
Due to other governments	-	1,824	-	1,824
Due to library	4,909	485,466	485,841	4,534
Due to cooperative extension	122,934	72,119	107,931	87,122
Total liabilities	\$ 508,100	\$ 29,231,216	\$ 29,306,229	\$ 433,087

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
 June 30, 2006 and 2005

	2006	2005
Governmental funds capital assets:		
Land	\$ 9,883,007	\$ 9,883,007
Buildings	29,372,740	27,108,936
Water resources - Lake Orange	481,624	481,624
Automotive equipment	7,874,735	5,216,325
Office and other equipment	3,241,873	3,219,199
Equipment under capital lease	-	-
Construction-in-progress	8,867,804	7,415,873
Total governmental funds capital assets	\$ 59,721,783	\$ 53,324,964
Investment in governmental funds capital assets by source:		
Revenue sources prior to July 1, 1984	\$ 3,311,826	\$ 3,311,826
General Fund	43,039,069	36,347,937
Capital Projects Fund		
Federal grants	-	2,000,000
State grants	710,661	684,706
Local grants	-	76,078
Bond proceeds	12,660,227	10,904,417
Total governmental funds capital assets	\$ 59,721,783	\$ 53,324,964

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
 June 30, 2006

Function and Activity	Land	Buildings	Water Resources	Automotive Equipment	Office and Other Equipment	Total
General government						
Governing and management						
Animal services	\$ -	\$ -	\$ -	\$ 83,250	\$ 20,807	\$ 104,057
Central services	-	29,372,740	-	40,523	189,468	29,602,731
Total governing and management	-	29,372,740	-	123,773	210,275	29,706,788
General services						
Information systems	-	-	-	19,430	1,067,901	1,087,331
Register of deeds	-	-	-	-	209,373	209,373
Land records	-	-	-	-	45,223	45,223
Assessor	-	-	-	52,713	6,000	58,713
Elections	-	-	-	-	273,565	273,565
Tax collector	-	-	-	-	5,987	5,987
Buildings and grounds	-	-	-	331,511	42,901	374,412
Motor pool	-	-	-	390,378	51,914	442,292
Sanitation	-	-	-	1,039,434	48,797	1,088,231
Total general services	-	-	-	1,833,466	1,751,661	3,585,127
Community and environment						
Planning	-	-	-	144,723	51,135	195,858
Environmental resource conservation	-	-	-	26,752	5,680	32,432
Soil and water conservation	-	-	481,624	19,430	-	501,054
Total community and environment	-	-	481,624	190,905	56,815	729,344
Human services						
Social services	-	-	-	125,340	84,659	209,999
Health	-	-	-	343,983	174,329	518,312
Cooperative extension	-	-	-	21,326	-	21,326
Aging	-	-	-	1,264,783	15,454	1,280,237
Human rights and relations	-	-	-	-	6,675	6,675
Non-departmental	-	-	-	38,857	12,678	51,535
Total human services	-	-	-	1,794,289	293,795	2,088,084
Public safety						
Sheriff	-	-	-	1,938,928	119,792	2,058,720
Emergency services	-	-	-	1,762,957	665,545	2,428,502
Total public safety	-	-	-	3,701,885	785,337	4,487,222
Culture and recreation						
Recreation and parks	9,883,007	-	-	180,368	104,194	10,167,569
Library services	-	-	-	50,049	39,796	89,845
Total culture and recreation	9,883,007	-	-	230,417	143,990	10,257,414
Total fixed assets allocated to functions	\$ 9,883,007	\$ 29,372,740	\$ 481,624	\$ 7,874,735	\$ 3,241,873	50,853,979
Construction-in-progress						8,867,804
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS						<u>\$ 59,721,783</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
Year Ended June 30, 2006

Function and Activity	Governmental Funds Capital Assets July 1, 2005	Additions/ Transfers	Retirements/ Transfers	Governmental Funds Capital Assets June 30, 2006
General government				
Governing and management				
Animal services	\$ 55,961		\$ (48,096)	\$ 104,057
Central services	27,331,417	\$ 2,263,804	(7,510)	29,602,731
Total governing and management	<u>27,387,378</u>	<u>2,263,804</u>	<u>(55,606)</u>	<u>29,706,788</u>
General services				
Information systems	1,058,441	-	(28,890)	1,087,331
Register of deeds	257,002	-	47,629	209,373
Land records	45,223	-	-	45,223
Assessor	6,000	-	(52,713)	58,713
Elections	273,565	-	-	273,565
Tax collector	5,987	-	-	5,987
Buildings and grounds	303,642	29,674	(41,096)	374,412
Motor pool	249,780	48,675	(143,837)	442,292
Sanitation	351,861	391,775	(344,595)	1,088,231
Total general services	<u>2,551,501</u>	<u>470,124</u>	<u>(563,502)</u>	<u>3,585,127</u>
Community and environment				
Planning	210,229	-	14,371	195,858
Environmental resource conservation	15,283	-	(17,149)	32,432
Soil and water conservation	481,624	-	(19,430)	501,054
Total community and environment	<u>707,136</u>	<u>-</u>	<u>(22,208)</u>	<u>729,344</u>
Human services				
Social services	181,524	7,227	(21,248)	209,999
Health	480,085	12,300	(25,927)	518,312
Cooperative extension	21,236	-	(90)	21,326
Aging	865,782	-	(414,455)	1,280,237
Human rights and relations	6,675	-	-	6,675
Non-departmental	6,818	-	(44,717)	51,535
Total human services	<u>1,562,120</u>	<u>19,527</u>	<u>(506,437)</u>	<u>2,088,084</u>
Public safety				
Sheriff	1,360,056	367,311	(331,353)	2,058,720
Emergency services	2,174,704	174,857	(78,941)	2,428,502
Total public safety	<u>3,534,760</u>	<u>542,168</u>	<u>(410,294)</u>	<u>4,487,222</u>
Culture and recreation				
Recreation and parks	10,098,178	57,598	(11,793)	10,167,569
Library services	68,018	21,815	(12)	89,845
Total culture and recreation	<u>10,166,196</u>	<u>79,413</u>	<u>(11,805)</u>	<u>10,257,414</u>
Total fixed assets allocated to functions	45,909,091	3,375,036	(1,569,852)	50,853,979
Construction-in-progress	7,415,873	1,141,807	(310,124)	8,867,804
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 53,324,964</u>	<u>\$ 4,516,843</u>	<u>\$ (1,879,976)</u>	<u>\$ 59,721,783</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, 2006

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections and Credits	Discoveries Abatements Adjustments	Uncollected Balance June 30, 2006
2006	\$ -	\$ 100,374,499	\$ (99,271,419)	\$ -	\$ 1,103,080
2005	1,062,262	-	(757,320)	(23,965)	280,977
2004	253,805	-	(106,923)	(623)	146,259
2003 and prior	1,139,163	-	(89,833)	131,599	1,180,929
	<u>\$ 2,455,230</u>	<u>\$ 100,374,499</u>	<u>\$ (100,225,495)</u>	<u>\$ 107,011</u>	2,711,245
Less: Allowance for doubtful accounts					<u>(1,000,961)</u>
Ad Valorem taxes, net					<u>\$ 1,710,284</u>

Reconciliation with Revenues:

Taxes - ad valorem	\$ 100,158,918
Reconciling items:	
Releases and adjustments	<u>66,577</u>
	<u>\$ 100,225,495</u>

ORANGE COUNTY, NORTH CAROLINA

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ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF CURRENT TAX LEVY
 Year Ended June 30, 2006

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	\$ 11,597,243,710	0.00843	\$ 97,721,921	\$ 93,352,619	\$ 4,369,302
Motor vehicles taxed at prior year rate	297,720,419	0.00880	2,619,884	-	2,619,884
Late list penalties	-		25,565	25,565	-
Lien advertisement	-		7,129	7,129	-
	<u>\$ 11,894,964,129</u>		100,374,499	93,385,313	6,989,186
Uncollected taxes at June 30, 2006			1,103,080	626,937	476,143
Current year taxes collected			<u>\$ 99,271,419</u>	<u>\$ 92,758,376</u>	<u>\$ 6,513,043</u>
Current year collection percentages			<u>98.90%</u>	<u>99.33%</u>	<u>93.19%</u>

* Levy includes discoveries and abatements

ORANGE COUNTY, NORTH CAROLINA

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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.

Table 1

Orange County, North Carolina
Net Assets by Component,
Last Four Fiscal Years
 (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,363,763	\$ 6,033,496	\$ (2,329,884)	\$ 8,323,542
Restricted - capital assets	20,122,226	500,511	-	-
Restricted - other purposes	1,392,207	-	-	-
Unrestricted	<u>(90,754,566)</u>	<u>(79,627,592)</u>	<u>(71,473,372)</u>	<u>(90,456,612)</u>
Total governmental activities net assets	\$ <u>(65,876,370)</u>	\$ <u>(73,093,585)</u>	\$ <u>(73,803,256)</u>	\$ <u>(82,133,070)</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 6,728,112	\$ 6,034,422	\$ 5,331,054	\$ 5,334,757
Unrestricted	<u>(187,000)</u>	<u>(582,170)</u>	<u>812,996</u>	<u>1,595,064</u>
Total business-type activities	\$ <u>6,541,112</u>	\$ <u>5,452,252</u>	\$ <u>6,144,050</u>	\$ <u>6,929,821</u>
Primary government				
Invested in capital assets, net of related debt	\$ 10,091,875	\$ 12,067,918	\$ 3,001,170	\$ 13,658,299
Restricted - capital projects	20,122,226	500,511	-	-
Restricted - other purposes	1,392,207	-	-	-
Unrestricted	<u>(90,941,566)</u>	<u>(80,209,762)</u>	<u>(70,660,376)</u>	<u>(88,861,548)</u>
Total primary government net assets	\$ <u>(59,335,258)</u>	\$ <u>(67,641,333)</u>	\$ <u>(67,659,206)</u>	\$ <u>(75,203,249)</u>

Note: Accrual-basis financial information for the County government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

In accordance with North Carolina law, liabilities of the County include approximately \$132 million in long term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill Carrboro Board of Education. As these assets are not reflected on the County's financial statements and the full amount of long-term debt is reflected on the County's financial statements, the County reports a deficit in net assets.

Orange County, North Carolina
Changes in Net Assets,
Last Four Fiscal Years (continued)
 (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
Governing and management	\$ 7,984,601	\$ 11,581,882	\$ 11,633,062	\$ 9,013,179
General services	9,447,392	8,168,947	10,095,265	10,371,173
Community and environment	8,022,768	9,893,926	8,939,210	9,078,254
Human services	28,075,210	29,540,568	32,558,212	33,499,003
Education	62,967,519	61,463,034	58,910,220	82,853,757
Public safety	14,462,403	15,781,817	16,685,076	18,278,983
Culture and recreation	1,538,918	1,918,031	2,430,733	2,508,464
Interest on long-term debt	6,480,482	6,766,691	6,508,674	7,526,775
Total governmental activities	<u>138,979,293</u>	<u>145,114,896</u>	<u>147,760,452</u>	<u>173,129,588</u>
Business-type activities:				
Landfill	4,722,846	5,456,187	5,766,797	6,691,328
Sewer	921,655	237,150	177,477	181,329
SportsPlex	-	-	-	1,322,837
Total primary government expenses	<u>5,644,501</u>	<u>5,693,337</u>	<u>5,944,274</u>	<u>8,195,494</u>
	<u>\$ 144,623,794</u>	<u>\$ 150,808,233</u>	<u>\$ 153,704,726</u>	<u>\$ 181,325,082</u>
Revenues				
Governmental activities				
Program revenues				
Charges for services	\$ 10,409,508	\$ 10,747,239	\$ 10,861,457	\$ 11,926,850
Operating grants and contributions	19,075,713	19,304,008	20,838,946	21,785,974
Capital grants and contributions	-	60,068	953,634	26,673
General revenues				
Property taxes	80,396,482	84,879,390	91,188,353	103,277,416
Other taxes	16,555,551	19,138,144	20,448,762	21,795,500
Other	2,963,720	2,446,239	2,966,288	4,903,090
Total governmental activities revenues	<u>129,400,974</u>	<u>136,575,088</u>	<u>147,257,440</u>	<u>163,715,503</u>

Orange County, North Carolina
Changes in Net Assets,
Last Four Fiscal Years (concluded)
 (accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charge for services	\$ 4,633,446	\$ 4,428,918	\$ 6,847,668	\$ 8,094,895
Operating grants and contributions	299,083	191,750	215,868	195,214
Other	39,708	30,379	96,679	672,117
Total business-type activities program revenues	<u>4,972,237</u>	<u>4,651,047</u>	<u>7,160,215</u>	<u>8,962,226</u>
Total primary government program revenues	<u>\$ 134,373,211</u>	<u>\$ 141,226,135</u>	<u>\$ 154,417,655</u>	<u>\$ 172,677,729</u>
Increase in net assets	<u>\$ (10,250,583)</u>	<u>\$ (9,582,098)</u>	<u>\$ 712,929</u>	<u>\$ (8,647,353)</u>
Net assets July 1, previously reported	(48,641,062)	(59,335,258)	(67,641,333)	(67,659,206)
Prior period adjustment	(443,613)	1,276,023	(730,802)	1,103,310
Net assets July 1, restated	<u>(49,084,675)</u>	<u>(58,059,235)</u>	<u>(68,372,135)</u>	<u>(66,555,896)</u>
Net assets June 30	<u>\$ (59,335,258)</u>	<u>\$ (67,641,333)</u>	<u>\$ (67,659,206)</u>	<u>\$ (75,203,249)</u>

Note: Accrual-basis financial information for the County government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Orange County, North Carolina
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved for:										
Inventories	\$ 66,941	\$ 91,558	\$ 92,099	\$ 78,977	\$ 76,959	\$ 81,805	\$ 118,188	\$ 83,803	\$ 82,251	\$ 114,036
Encumbrances	253,904	317,831	530,069	571,812	619,089	518,925	646,232	628,551	624,561	847,979
State Statute	6,851,228	7,688,333	7,392,730	8,430,055	6,188,956	6,524,159	6,775,510	7,649,826	6,905,033	7,956,752
Total reserved	7,172,073	8,097,722	8,014,898	9,080,844	6,885,004	7,124,889	7,539,930	8,362,180	7,611,845	8,918,767
Unreserved										
Designated for capital and miscellaneous	206,470	299,687	299,687	299,687	-	-	-	-	-	-
Designated for subsequent year's expenditures	1,000,000	1,408,063	2,273,702	3,884,820	3,581,596	2,668,008	2,099,108	1,714,451	-	-
Undesignated	9,288,082	11,752,158	14,377,602	13,470,026	13,528,386	11,641,260	12,329,134	10,879,392	13,548,885	15,452,551
Total General Fund	\$ 17,686,625	\$ 21,557,630	\$ 24,965,889	\$ 26,735,377	\$ 24,004,986	\$ 21,432,157	\$ 21,968,172	\$ 20,956,023	\$ 21,160,730	\$ 24,371,318
All other governmental funds										
Reserved for:										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Encumbrances	3,652,941	885,808	953,904	750,744	868,570	402,278	1,090,126	1,652,432	2,733,971	7,635,847
State Statute	1,166,600	773,503	181,502	238,745	251,463	1,220,742	903,919	825,530	1,366,199	485,693
Total reserved	4,819,541	1,659,311	1,135,406	1,029,489	1,120,033	1,623,020	1,994,045	2,477,962	4,100,170	8,131,540
Unreserved										
Designated for subsequent year's expenditures	19,103,354	16,212,350	5,523,885	38,482,637	28,976,597	16,162,771	19,710,687	5,468,041	17,882,591	33,120,947
Undesignated	1,271,363	1,574,014	3,223,532	2,961,507	2,942,482	2,909,358	1,880,657	3,718,401	2,794,179	2,300,707
Reported in non major special revenue								2,583,290	2,277,472	3,996,399
Total all other governmental funds	\$ 25,194,258	\$ 19,445,675	\$ 9,882,823	\$ 42,473,633	\$ 33,039,122	\$ 28,661,033	\$ 30,644,721	\$ 14,247,694	\$ 27,054,412	\$ 47,489,583
Total All Funds	\$ 42,880,883	\$ 41,003,305	\$ 34,848,712	\$ 69,209,010	\$ 57,044,118	\$ 50,093,190	\$ 52,612,893	\$ 35,203,717	\$ 48,215,142	\$ 71,860,901

Orange County, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 53,978,766	\$ 59,300,232	\$ 63,486,049	\$ 67,593,473	\$ 71,687,783	\$ 76,643,685	\$ 80,984,567	\$ 85,404,401	\$ 91,786,364	\$ 103,650,766
Sales tax	11,246,737	12,475,261	13,469,015	14,029,366	14,452,882	14,753,323	15,985,224	18,589,763	19,788,268	21,176,362
Intergovernmental revenues	15,997,337	16,481,200	24,745,289	22,957,280	18,963,075	19,436,852	19,075,713	19,364,076	22,438,641	22,346,894
Charges for Services	3,234,765	4,005,881	4,786,405	4,842,139	5,178,189	5,719,317	6,632,988	6,697,791	8,232,327	9,754,878
Investment earnings	1,742,491	2,141,451	1,901,941	2,638,479	4,019,039	1,642,448	628,991	396,143	1,101,566	3,683,113
Licenses and permits	754,737	783,743	916,180	921,226	974,986	1,222,652	1,181,198	1,360,364	256,850	268,571
Impact fees	830,470	1,720,500	2,688,750	3,117,785	3,016,455	2,919,018	2,595,342	2,689,084	2,372,280	1,864,897
Miscellaneous	744,988	1,016,885	1,329,031	1,005,732	1,610,563	1,548,808	2,335,503	2,048,802	1,314,864	1,253,232
Total revenues	88,531,271	97,925,153	113,330,670	117,105,480	119,902,982	123,885,601	129,317,506	136,550,424	147,289,198	163,998,643
Expenditures										
Current										
Governing and management	3,181,844	3,221,519	3,307,522	3,620,329	3,639,632	4,468,943	4,600,241	5,091,203	6,315,368	7,060,610
General services	5,913,928	7,060,397	6,924,082	7,314,849	7,633,532	8,217,366	9,447,392	9,341,406	9,703,326	9,976,728
Community and environment	5,597,440	5,089,714	5,640,885	6,090,788	7,168,150	7,862,114	7,989,562	8,769,898	9,040,877	8,964,634
Human services	18,129,824	19,207,946	20,820,418	22,010,156	24,992,041	27,041,595	28,098,416	30,416,726	31,463,036	32,512,567
Education	26,228,574	29,054,384	32,372,172	36,560,779	40,493,653	43,008,464	44,150,357	46,481,662	48,752,268	52,271,554
Public safety	8,962,153	10,107,084	10,759,097	11,459,291	12,192,004	13,483,924	14,367,523	15,689,015	16,202,310	17,549,061
Culture and recreation	1,126,767	1,200,187	1,287,825	1,299,185	1,348,475	1,419,207	1,538,918	1,918,031	2,329,398	2,444,132
Capital Outlay	19,985,318	14,159,288	25,853,042	22,748,652	36,108,860	35,175,797	24,427,047	20,903,526	19,615,281	36,887,563
Debt service:										
Principal	4,969,379	5,042,785	5,856,932	5,944,011	7,231,228	6,795,743	9,767,002	10,276,402	11,086,814	13,236,904
Interest	4,329,133	4,782,919	4,573,216	4,231,733	6,294,775	6,575,108	6,315,632	6,780,803	6,889,640	6,788,565
Issuance costs	-	-	-	-	-	230,351	126,593	2,000	22,393	334,964
Total expenditures	98,304,351	98,925,203	117,394,201	121,899,893	147,301,650	156,278,612	150,838,673	155,650,492	161,400,537	187,987,272
Excess of revenues over (under) expenditures	(9,773,080)	(1,001,050)	(4,063,531)	(4,794,483)	(27,398,668)	(32,393,011)	(21,521,167)	(19,100,068)	(14,111,339)	(23,998,628)
Other financing sources (uses)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	9,777,084	7,194,793	7,039,266	10,305,944	13,268,172	7,790,462	8,376,157	11,764,671	8,762,469	12,111,866
Bonds issuance	(9,326,139)	(6,718,457)	(6,557,847)	(9,820,054)	(12,804,933)	(7,171,242)	(8,261,148)	(11,718,101)	(8,622,211)	(12,552,723)
Refunding issuance	-	-	-	40,175,000	-	15,344,129	19,175,000	-	25,140,000	29,185,000
Refunding issue costs	-	-	-	-	-	-	22,815,000	-	-	29,366,000
Payments to escrow agent-refunding	-	-	-	-	-	-	2,037,715	-	-	(1,590,000)
Installment loans issuance	-	-	-	-	-	-	(24,728,132)	-	-	(27,775,000)
Capital leases issuance	15,200,000	780,000	-	-	14,433,992	2,255,628	4,614,276	378,300	1,820,506	17,685,000
Total other financing sources	15,650,945	1,256,336	481,419	40,660,890	14,897,231	18,218,977	24,030,868	424,870	27,120,764	47,644,388
Net change in fund balances	\$ 5,877,865	\$ 255,286	\$ (3,582,112)	\$ 35,866,397	\$ (12,501,437)	\$ (14,174,034)	\$ 2,509,701	\$ (18,675,168)	\$ 13,009,425	\$ 23,645,759
Debt service as a percentage of noncapital expenditures	11.87%	11.59%	11.39%	10.26%	12.16%	12.69%	12.72%	12.66%	12.66%	13.23%

Table 5

Orange County, North Carolina
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public-Service Companies	Less Tax Exempt Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Market Value	Assessed Value as a Percent of Actual Value
1997	\$ 4,237,404,257	\$ 743,930,770	\$ 170,536,933	\$ -	\$ 5,151,871,960	0.873	\$ 6,237,888,316	82.59%
1998	5,361,329,887	851,073,083	176,543,720	-	6,388,946,690	0.902	6,623,415,602	96.46%
1999	5,617,653,829	924,149,804	184,438,796	19,051,909	6,707,190,520	0.919	7,205,060,178	93.09%
2000	5,886,410,337	969,221,679	190,464,397	20,147,479	7,025,948,661	0.929	7,940,719,554	88.48%
2001	6,153,059,801	1,003,565,338	207,177,982	19,681,025	7,363,803,121	0.805	8,869,914,624	83.02%
2002	7,848,287,505	1,062,765,496	215,042,038	19,624,146	9,106,470,893	0.830	9,425,037,149	96.62%
2003	8,163,921,473	1,100,233,638	215,976,206	34,248,473	9,445,882,844	0.845	10,476,799,960	90.16%
2004	8,482,244,767	1,092,264,074	212,895,468	32,222,193	9,735,182,116	0.880	11,040,124,876	88.18%
2005	8,794,192,326	1,115,514,805	208,965,580	34,545,769	10,084,126,942	0.843	12,037,873,871	83.77%
2006	10,321,040,868	1,322,278,025	211,531,245	40,113,991	11,894,964,129	0.903	12,445,034,661	95.58%

Source: Annual County Report of Valuation and Property Tax Levies

**Orange County, North Carolina
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years**

	Year Taxes Are Payable									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Orange County	\$ 0.9975	\$ 0.8730	\$ 0.9020	\$ 0.9190	\$ 0.9290	\$ 0.8050	\$ 0.8300	\$ 0.8450	\$ 0.8800	\$ 0.8430
<u>Municipality Rates:</u>										
Chapel Hill	0.5960	0.5380	0.5380	0.5630	0.5780	0.5040	0.5530	0.5530	0.5750	0.5220
Carrboro	0.7475	0.6375	0.6600	0.6750	0.7120	0.6568	0.6852	0.6852	0.7148	0.6244
Hillsborough	0.5000	0.4500	0.5200	0.5700	0.6200	0.6000	0.6200	0.6200	0.6200	0.5660
<u>Fire Districts:</u>										
Cedar Grove	0.0760	0.0630	0.0630	0.0630	0.0730	0.0730	0.0730	0.0730	0.0730	0.0730
Chapel Hill	0.0290	0.0250	0.0250	0.0250	0.0250	0.0200	0.0200	0.0200	0.0200	0.0190
Damascus	0.0380	0.0330	0.0300	0.0300	0.0300	0.0260	0.0260	0.0300	0.0300	0.0260
Efland	0.0340	0.0300	0.0300	0.0300	0.0300	0.0285	0.0285	0.0375	0.0465	0.03475
Eno	0.0600	0.0510	0.0510	0.0510	0.0510	0.0440	0.0440	0.0640	0.0640	0.0570
Little River	0.0465	0.0465	0.0465	0.0465	0.0465	0.0450	0.0450	0.0450	0.0520	0.0460
New Hope	0.0600	0.0515	0.0515	0.0515	0.0550	0.0500	0.0500	0.0650	0.0650	0.0625
Orange Grove	0.0515	0.0440	0.0440	0.0440	0.0440	0.0390	0.0390	0.0390	0.0390	0.0340
Orange Rural	0.0425	0.0400	0.0400	0.0400	0.0450	0.0460	0.0460	0.0510	0.0510	0.0560
South Orange	0.0910	0.0880	0.0880	0.0880	0.0900	0.0850	0.0785	0.0920	0.0920	0.0920
Southern Triangle	0.0380	0.0300	0.0300	0.0300	0.0300	0.0260	0.0260	0.0300	0.0300	0.0260
White Cross	0.0690	0.0580	0.0580	0.0580	0.0580	0.0480	0.0480	0.0480	0.0480	0.0420
Chapel Hill Carrboro School District	0.1900	0.1790	0.1920	0.2200	0.2200	0.2020	0.1920	0.2000	0.2000	0.1834

Orange County, North Carolina
Principal Property Tax Payers,
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2006			Fiscal Year 1997		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Public Utility	\$ 80,340,341	1	0.67%	\$ 70,213,380	1	1.36%
VAC Limited Partnership	Apartment Rental	62,458,685	2	0.52%	36,363,945	4	0.71%
US CT LLC	Property Owners Trust	49,985,519	3	0.42%	38,285,311	3	
Blue Cross Blue Shield	Insurance Provider	45,196,539	4	0.38%	55,577,203	2	1.08%
Piedmont Electric Membership	Public Utility	40,641,781	5	0.34%	26,399,832	6	0.51%
University Mall	Retail Outlet	35,492,447	6	0.30%			
Bell South	Public Utility	34,864,985	7	0.29%	35,458,134	5	0.69%
Corium LLC	Insurance Provider	32,408,983	8	0.27%			
Europa Center	Hotel and Office Rental	24,868,917	9	0.21%			
Chapel Hill Residential Retirement	Retirement Facility				24,859,728	7	0.48%
General Electric	Manufacturer				21,667,030	8	0.42%
Exchange at Meadowmont	Office Complex	21,027,895	10	0.18%		9	
Wachovia Bank of North Carolina	Banking and Financial Services				16,966,134	10	0.33%
Public Service Company	Public Utility				14,389,129		0.28%
Totals		\$ 427,286,092		3.57%	\$ 340,179,826		6.60%

Source: Orange County Tax Assessor

**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
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
2005	2006	100,374,499	99,271,419	98.90	954,076	100,255,495	99.88	2,711,245	2.70

* Tax Levy includes special districts.

Orange County, North Carolina
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
	General Obligation Bonds	Revenue Bonds	Installment Loans	Capital Leases	General Obligation Bonds	Revenue Bonds	Installment Loans	Capital Leases			
1997	\$ 68,115,000	\$ -	\$ 25,354,126	\$ 141,279	-	-	-	-	\$ 93,610,405	873	3.16%
1998	63,835,000	-	25,371,341	83,368	-	-	-	-	89,289,709	817	2.94%
1999	59,565,000	-	23,784,290	21,304	-	-	-	-	83,370,594	744	2.63%
2000	95,475,000	-	22,105,357	2,093	-	-	-	-	117,582,450	994	3.53%
2001	90,030,000	-	34,821,659	15,454	-	-	-	-	124,867,113	1,032	3.48%
2002	102,255,000	-	31,403,649	10,768	-	-	-	-	133,669,417	1,085	3.52%
2003	113,935,000	-	32,559,707	5,776	-	1,365,043	-	-	147,865,526	1,179	3.81%
2004	107,585,000	-	28,610,895	70,366	-	1,094,886	613,794	-	137,974,941	1,083	3.54%
2005	125,810,000	-	24,565,678	2,107,612	-	836,342	1,152,360	-	154,471,992	1,200	3.75%
2006	148,175,000	-	37,878,032	2,765,956	-	-	1,233,830	-	196,623,678	1,527	*

* Information not yet available.

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

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2005 personal income not available to calculate fiscal year 2006.

Orange County, North Carolina
Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
	General Obligation Bonds	Revenue Bonds	Total				
1997	\$ 6,811,500	\$ -	\$ 6,811,500	0.23%	0.11%	\$ 64	
1998	63,835,000	-	63,835,000	2.10%	0.96%	584	
1999	59,565,000	-	59,565,000	1.88%	0.83%	532	
2000	95,475,000	-	95,475,000	2.87%	1.20%	807	
2001	90,030,000	-	90,030,000	2.51%	1.02%	744	
2002	102,255,000	-	102,255,000	2.69%	1.08%	830	
2003	113,955,222	-	113,955,222	2.94%	1.09%	909	
2004	107,585,000	-	107,585,000	2.76%	0.97%	844	
2005	125,810,000	-	125,810,000	3.05%	1.05%	977	
2006	148,175,000	-	148,175,000	*	1.19%	1,151	

* Information not yet available.

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

- (1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2005 personal income not available to calculate fiscal year 2006.
- (2) See Schedule 5 for property value data.

Orange County, North Carolina
 Legal Debt Margin Information,
 Last Ten Fiscal Years
 (dollars in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Value of Property	\$ 5,151,872	\$ 6,388,947	\$ 6,707,190	\$ 7,025,948	\$ 7,363,603	\$ 9,106,471	\$ 9,445,883	\$ 9,735,182	\$ 10,084,127	\$ 11,597,244
Debt Limit, 8% of Assessed Value (Statutory Limitation)	412,150	511,116	536,575	562,076	589,104	728,518	755,671	778,815	806,730	927,780
Amount of Debt Applicable to Limit										
Gross debt	93,610	89,290	83,371	117,582	124,867	133,669	147,866	137,975	154,472	196,624
Less: Amount available for repayment of general obligation bonds	0	0	0	0	0	0	0	0	0	0
Debt outstanding for water and sewer purposes	0	0	0	0	0	0	0	0	0	0
Revenue bonds	0	0	0	0	0	0	0	0	0	0
Total net debt applicable to limit	93,610	89,290	83,371	117,582	124,867	133,669	147,866	137,975	154,472	196,624
Legal Debt Margin	\$ 318,539	\$ 421,826	\$ 453,205	\$ 444,493	\$ 464,237	\$ 594,848	\$ 607,805	\$ 640,840	\$ 652,258	\$ 731,156
Total net debt applicable to the limit as a percentage of debt limit	22.71%	17.47%	15.54%	20.92%	21.20%	18.35%	19.57%	17.72%	19.15%	21.19%

Note: NC Statute GS 159-55 limits the County's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: money held for payment of principal; debt incurred for water, sewer, gas, or electric power purposes; uncollected special assessments, funding and refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

**Orange County, North Carolina
Direct and Overlapping Governmental Activities Debt
June 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Municipalities:			
Town of Chapel Hill	\$ 44,045,000	100%	\$ 44,045,000
Town of Hillsborough	10,079,296	100%	10,079,296
Town of Carrboro	4,852,836	100%	4,852,836
City of Durham	321,745,000	3%	9,652,350
Town of Mebane	10,986,238	30%	3,295,871
Total direct debt			<u>196,624</u>
Total direct and overlapping debt			<u>\$ 72,121,977</u>

Table 13

Orange County, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Median Age	Public School Enrollment (3)	Unemployment Rate (4)	Number of Building Inspections Performed (5)
1997	107,254	\$ 2,959,014	27,344	29.80	13,857	1.6%	1,153
1998	109,288	3,042,049	27,947	31.13	14,940	1.4%	1,607
1999	111,982	3,169,976	28,946	31.55	15,238	1.2%	2,645
2000	118,277	3,327,229	29,773	31.36	15,676	1.4%	1,844
2001	120,952	3,583,041	30,238	30.78	16,121	1.3%	2,994
2002	123,162	3,800,280	30,238	30.40	16,527	3.3%	2,106
2003	125,372	3,877,363	30,238	30.40	16,590	3.4%	1,945
2004	127,414	3,902,027	31,900	31.71	17,349	3.0%	2,047
2005	128,725	4,122,336	33,375	32.60	17,532	3.6%	2,153
2006	128,778	*	34,182	32.41	17,641	3.4%	2,402

* Information not yet available.

Notes:

- (1) N.C. State Data Center. Estimates are as of beginning of fiscal year.
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year.
- (3) N.C. Department of Public Instruction, First Month Average Daily Membership.
- (4) N. C. Employment Security Commission, Annual Average for prior calendar year.
- (5) Total number of inspections performed by Orange County Inspections Department. Does not include inspections by municipalities.

**Orange County, North Carolina
Principal Employers
Current Year and Nine Years Ago**

Employer	2006			1997		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
UNC-Chapel Hill	10,935	1	18.66%	9,131	1	18.70%
UNC Hospitals	5,827	2	9.95%	4,465	2	9.14%
Chapel Hill-Carrboro Schools	1,780	3	3.04%	1,376	4	5.22%
Blue Cross/Blue Shield of NC	1,007	4	1.72%	2,547	3	1.72%
Orange County Schools	961	5	1.64%	679	6	1.39%
Orange County Government	830	6	1.42%	567	8	1.16%
Town of Chapel Hill	659	7	1.12%	580	7	1.19%
General Electric	500	8	0.85%	1,060	5	2.17%
Eurosports	500	9	0.85%	260	16	0.53%
Harris Teeter	479	10	0.82%	473	10	0.97%

Source: Orange County Economic Development Commission, Employment Security Commission

Orange County, North Carolina
Full-time Equivalent County Government Employees by Function,
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governing and Management	32.50	32.50	34.75	35.80	35.80	35.80	35.80	35.80	53.00	60.00
General Services	103.20	105.20	108.35	111.40	109.40	110.40	110.40	112.60	114.20	114.20
Community and Environment	30.00	34.10	35.00	39.00	44.00	44.00	44.00	49.00	48.50	48.50
Human Services	236.40	251.90	261.40	267.40	274.97	285.44	286.44	287.50	301.40	294.30
Public Safety	153.50	153.50	159.50	171.50	172.50	176.50	194.50	202.50	202.50	202.50
Culture and Recreation	23.10	24.10	24.40	25.60	25.60	29.10	30.10	30.10	31.10	31.10
Total	578.70	601.30	623.40	650.70	662.27	681.24	701.24	717.50	750.70	750.60

Source: County Finance Department

Note: This schedule represents number of persons employed as of June 30 of each year. Vacant positions are not included in the above numbers. Full time personnel work 2,088 hours per year (less vacation and sick leave). For purposes of this schedule the number of part time employees has been divided by 2.5 to arrive at the full time equivalents.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the 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, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 16, 2006. 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 on the County's basic financial statements, 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. The financial statements of the Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Cherry Rount + Hahnd, L.L.P.

Raleigh, North Carolina
October 16, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR STATE
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

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

Compliance

We have audited the compliance of Orange County, North Carolina (the County), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. The County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, the governing board and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.

Cherry, Robert + Habel, L.L.P.

Raleigh, North Carolina
October 16, 2006

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section I – Summary of Auditors’ Results (continued)

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

\$ 2,125,954

Auditee qualified as low-risk auditee?

yes no

State Awards

Internal control over major State programs:

• Material weakness(es) identified?

yes no

• Reportable condition(s) identified that are
not considered to be material weaknesses

yes none reported

Noncompliance material to State Awards

yes no

Type of auditors’ report issued on compliance for major State programs: **Unqualified.**

Any audit findings disclosed that are required to
be reported in accordance with the *Audit
Manual for Governmental Auditors in North
Carolina*

yes no

Identification of major State programs:

Names of State Program or Cluster

State/County Special Assistance

Domiciliary Care Payment

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section II – Findings Related to the Audit of the Basic Financial Statements of Orange County

Finding: 06-01

NONMATERIAL NONCOMPLIANCE

Criteria:

General Statutes state that all checks or drafts on an official depository shall be signed by the finance officer or a properly designated deputy finance officer and countersigned by another official of the local government, unless the governing board waives this requirement.

Condition:

During the audit work performed it was noted that for a portion of the year, a non County employee was signing checks on the County Sportsplex account.

Effect:

Monies were spent in violation of the statutes.

Cause:

The SportsPlex was purchased by the County in the current year and the County hired a private management company to operate the facility. In the transition, a bank account was established for the operating deposits and disbursements of the facility. The Director of the management company was authorized to sign checks on the account that was in the name of the County resulting in a violation of the general statutes.

Recommendation:

Controls should be put in place to insure that Sportsplex account checks are signed by the appropriate individuals.

Management Response: The County has restructured the bank accounts to comply with the statutes. The County has an account in which the management company deposits all funds generated by the facility. The management company has established its own account for disbursements. Funds from the County's account are transferred to the management account as needed for operating expenditures.

Section III – Findings and Questioned Costs Related to the Audit of Federal Awards

U.S. Department of Health and Human Services
Program Name: Subsidized Child Care Cluster
CFDA Number: 93.575, 93.596, 93.667, 93.558

Finding: 06-02

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Cash Management

NONMATERIAL NONCOMPLIANCE

Criteria:

The Compliance Supplement states, "individuals who are eligible for child care based on their income will be charged a fee for service. The fees imposed on the parent/caretaker by the local purchasing agency must be used to reduce the amount the local agency pays for each child receiving services from the local purchasing agency. Documentation in the client record should verify that fees imposed by the local purchasing agency are correct."

Condition:

During testing and through discussion with the client, we found 1 instance in a sample of 25 in which the County was paying the parent fee.

Questioned Costs: \$270

Effect:

The amount of reimbursement from the State is more than necessary to provide child care.

Cause:

Lack of internal review of payments made by the County. The County is monitored each month by the State. However, they do not perform additional ongoing review of files.

Recommendation:

We recommend the program personnel take more careful measures to ensure that the amount paid for child care is appropriate. We recommend management implement a process to review files on a regular basis and document their review to ensure proper payments are being made.

Management Response: Management will immediately implement the suggestions and recommendations noted. A procedure will be established to review all files regularly. Review of these files will then be documented by the supervisor or other reviewer.

Section IV. – Findings and Questioned Costs Related to the Audit of State Awards

None reported.

ORANGE COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2006

No findings were noted in the prior year audit.

ORANGE COUNTY, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2006

Section II – Findings Related to the Audit of the Basic Financial Statements of Orange County

Finding: 06-01

Name of Contact Person: Kenneth T. Chavious, Finance Director
Corrective Action: Controls have been put in effect to have checks on the County SportsPlex account signed by the appropriate individuals.
Proposed Completion Date: This plan has already been implemented.

Section III – Findings and Questioned Costs Related to the Audit of Federal Awards

Finding: 06-02

Name of Contact Person: Nancy Coston, Director of Social Services
Corrective Action: The accounting department is notified of parent fee changes with a copy of an Action Notice or Voucher. The correction has been made for the exception found and the Childcare Subsidy Program has taken extra measures to follow up with the accounting technician regarding parent fee changes. To ensure this does not become a systematic problem, the staff will take an extra step of contacting the accounting technician at the end of the month to verify that all paperwork regarding changes has been received.
Proposed Completion Date: This plan will be implemented immediately.

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

None reported.

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

Federal Grantor/Program Title	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
Corporation for National and Community Service				
Direct Programs-				
Aging Action Retired Senior Volunteer Program	94.002	\$ 59,448	\$ -	\$ 80,337
U.S. Department of Housing and Urban Development				
Direct Programs:				
Lower Income Housing Assistance				
Section 8 Vouchers	14.182	4,493,270	-	-
Home Investment Partnership Program	14.239	265,826	-	-
Cooperative Fair Housing Assistance Program	14.401	161,454	-	-
Total U.S. Department of Housing and Urban Development		4,920,550	-	-
U.S. Department of Justice-Office of Justice Programs				
Local Law Enforcement Block Grant	16.592	15,776	-	-
COPS More	16.710	67,963	-	22,917
COPS in School	16.710	71,599	-	134,147
COPS Overtime Program Grant	16.710	8,115	-	-
G.R.E.A.T. Program Funds	16.737	28,468	-	-
Total U.S. Department of Justice		191,921	-	157,064
U.S. Department of Homeland Security				
Passed-Through N.C. Department of Crime Control and Public Safety				
Emergency Management Performance Grant	97.042	402,679	-	-
Total U.S. Department of Homeland Security		402,679	-	-
U.S. Department of Health and Human Services				
Passed-Through N.C. Department of Health and Human Services or Triangle J Council of Governments or Administration for Children and Families				
Division of Social Services:				
Social Services Block Grant	93.667	155,194	34,950	63,381
In Home Services	93.667	209,472	-	29,924
Adult Daycare	93.667	3,581	2,082	809
TANF - Domestic Violence	93.558	5,914	-	-
TANF - Tea Foster Care	93.558	426	-	-
TANF - Work First Admin	93.558	179,146	-	143,274
TANF - Work First Service	93.558	959,990	-	1,058,937
TANF - Payments & Penalties	93.558	1,077,545	-	530
TANF - UP	93.558	14,452	-	-
AFDC Payments & Penalties	93.560	(36)	(10)	(10)
Adult Care Home Case Management	93.778	41,114	23,654	17,460
Medicaid Expansion	93.778	10,102	10,102	-
Medical Assistance Administration	93.778	864,034	-	864,034
Medical Transportation Administration	93.778	10,487	-	10,487
Medical Transportation Services	93.778	16,763	8,174	1,444
Foster Care and Adoption Cluster				
IV-E CPS	93.658	378,658	155,336	223,322
IV-E Foster Care/Off Trn	93.658	79,295	-	79,295
IV-E Waiver	93.658	16,778	-	16,778
IV-E Admin County Paid to CCI	93.658	1,135	-	1,135
IV-E Foster Care	93.658	126,747	36,379	36,379
Foster Care	93.658	394,830	-	42,668
CPS Expansion	93.658	-	46,977	-
IV-E Foster Care in Excess	93.658	31,294	-	17,934
IV-E Waiver Foster Care	93.658	83,096	23,854	23,854
IV-E Optional Adoption	93.659	355,227	-	355,227
IV-E Adopt Guardianship	93.659	8,336	2,392	2,392
IV-E Adopt Subsidy & Vendor	93.659	368,517	105,802	105,802
Total Foster Care and Adoption Cluster		1,843,913	370,740	904,786

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
Crisis Intervention Payments	93.568	\$ 183,295	\$ 41,326	\$ -
Low Income Energy Admin	93.568	18,955	-	-
Energy Assistance Payment	93.568	101,717	-	-
Refugee Assistance Payment	93.568	7,576	-	-
Adolescent Parenting	93.645	47,261	18,990	30,119
Permanency Planning - Reg	93.645	30,737	10,246	-
Permanency Planning - Spec	93.645	9,198	-	3,066
CWS Adoption Subsidy and Vendor	93.645	-	119,739	33,734
NC Health Choice	93.767	31,067	2,673	7,981
Independent Living - LINKS	93.674	25,474	6,368	-
IV-D Administration	93.563	619,537	-	319,155
IV-D Offset Fees - Esc	93.563	267	-	138
IV-D Offset Fees - Federal	93.563	1,655	-	853
Administration on Aging				
Division of Aging and Adult Services				
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers	93.044	153,827	-	988,123
US Dept of Health and Human Services				
Administration for Children and Families				
Passed-through the N.C. Dept. of Health and Human Services				
Subsidized Child Care (Note C)				
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care Development Fund-Administration	93.596	151,489	-	-
Division of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Fund -- Discretionary	93.575	1,341,442	-	-
Child Care and Development Fund -- Mandatory	93.596	646,099	-	-
Child Care and Development Fund -- Match	93.596	171,084	98,302	-
Total Child Care Fund Cluster		2,310,114	98,302	-
Social Services Block Grant	93.667	80,034	-	-
Temporary Assistance for Needy Families	93.558	438,593	-	-
Smart Start	XXXX	-	-	-
State Appropriations	XXXX	-	683,117	-
TANF-MOE	XXXX	-	436,779	-
Total Subsidized Child Care Cluster		2,828,741	1,218,198	-
Division of Medical Assistance				
Direct Benefit Payments:				
Medical Assistance Program	93.778	46,528,391	22,817,131	3,894,951
Division of Public Health				
Project Grants and Cooperative Agreements for				
Tuberculosis Control Programs	93.116	1,160	-	7,980
Family Planning	93.217	51,671	-	355,441
Immunization Program/Aid to County Funding	93.268	24,370	-	167,639
Bioterrorism Grant	93.283	89,199	-	613,593
Temporary Assistance for Needy Families	93.558	7,650	-	52,624
HIV State Funds-Sexually Trans Diseases				
Communicable Disease Expansion Budget	93.940	31,000	-	213,246
Statewide Health Promotion Program	93.991	16,594	-	114,149
Maternal and Child Health Services Block Grant	93.994	211,692	-	1,456,212
Total Division of Public Health		433,336	-	2,980,884
Total U.S. Department of Health and Human Services		56,413,131	24,684,363	11,354,060
<u>U.S. Department of Justice</u>				
Passed-Through N.C. Department of Crime Control and				
Public Safety:				
Criminal Justice Partnership Program	16.574	308,105	-	-
Total U.S. Department of Justice		308,105	-	-

ORANGE COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Soil And Water Conservation	10.902	\$ 49,000	\$ -	\$ 214,706
Farm and Ranch Lands Protection Program	10.913	784,155	-	-
Passed-Through N.C. Department of Health and Human Services				
Division of Social Services				
Food Stamps Admin	10.561	475,848	-	475,848
Direct Benefit Payments:				
Food Stamps	10.561	7,249,281	-	2,838
Total U.S. Department of Agriculture		<u>8,558,284</u>	<u>-</u>	<u>693,392</u>
<u>U.S. Department of Transportation</u>				
Passed-Through N.C. Department of Transportation				
Governor's Highway Safety Program	20.600	11,017	-	-
Total U.S. Department of Transportation		<u>11,017</u>	<u>-</u>	<u>-</u>
<u>State Grantor/Program Title</u>				
N.C. Department of Health and Human Services				
Division of Social Services				
AFDC Incent/Prog Integrity		-	5	-
TANF Incent/Prog Integrity		-	281	-
State/County Special Assistance Domiciliary Care Pymt		-	675,925	675,925
F/C at risk maximization		-	20,319	11,666
State Foster Home		-	46,386	46,386
State Aid to Counties		-	58,851	58,851
Total Division of Social Services		<u>-</u>	<u>801,767</u>	<u>792,828</u>
Office of Juvenile Justice				
Community Based Alternatives	536920	-	263,451	-
Division of Public Health				
General		-	93,231	641,328
Communicable Disease		-	3,708	25,507
Tuberculosis		-	12,995	89,392
Developmental Evaluation Centers		-	4,981	34,264
Risk Reduction/Health Promotion		-	7,867	54,116
TB Medical Services		-	1,776	12,217
Total Division of Public Health		<u>-</u>	<u>124,558</u>	<u>856,824</u>
Total N.C. Department of Health and Human Services		<u>-</u>	<u>1,189,776</u>	<u>1,649,652</u>
<u>N.C. Department of Transportation</u>				
Rural Operating Assistance Program Cluster		-	116,426	317,002
Human Service Transportation Management Program		-	134,403	365,949
Rural Capital Program		-	6,000	16,337
Total N.C. Department of Transportation		<u>-</u>	<u>256,829</u>	<u>699,288</u>
<u>N.C. Department of Cultural Resources</u>				
State Arts Grant	0010410	-	37,662	-
Division of State Library				
Passed-Through Hyconeechee Regional Library				
State Aid to Public Libraries		-	386,790	899,093
Total N.C. Department of Cultural Resources		<u>-</u>	<u>424,452</u>	<u>899,093</u>
<u>N.C. Department of Crime Control and Public Safety</u>				
Bioterrorism State Funds	536961: 4514-4517	-	76,242	-
		<u>-</u>	<u>76,242</u>	<u>-</u>
<u>N.C. Division of Health Services</u>				
Bioterrorism State Funds		-	62,861	-
		<u>-</u>	<u>62,861</u>	<u>-</u>
<u>N.C. Department of Public Instruction</u>				
Public School Building Capital Fund		-	1,278,120	-
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		<u>\$ 70,865,135</u>	<u>\$ 27,972,643</u>	<u>\$ 15,532,886</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

- A. Basis of Accounting – The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting.

- B. Revenues recognized under Child Support Enforcement, CFDA 93.563, include incentive payments received from the federal grantor agency.