

McGladrey & Pullen

Certified Public Accountants

Orange County, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007

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Introductory Section

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Orange County
Finance Department

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November 20, 2007

The Board of County Commissioners,
Laura E. Blackmon, 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, 2007.

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

The County's financial statements have been audited by McGladrey & Pullen, 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, 2007, 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.

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

COUNTY PROFILE

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. Orange County and the Research Triangle Park area continue to experience growth and are considered among the most desirable areas of the country to live and work. In April, 2007, CNNMoney.com rated the area the #3 America's Best Jobs in the Hottest Markets.

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 calendar year 2006 was 3.3%, one of the lowest in the State. (State average was 4.7% for calendar year 2006.)

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, 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. As of July, 2007, approximately 41,000 people were employed at the Park with an annual payroll of approximately \$2.7 billion with an average salary of \$57,500. Approximately 87% 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 \$174 million for education. The assessed value for the upcoming year is estimated to be nearly \$12.6 billion with a tax rate of \$0.95 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 2006-2007 financial statements reflect a major move in that direction. The County's financial underpinnings remain strong and stable.

In the Capital Improvement area County facilities will be further developed including purchase parkland and open space and the provision of affordable housing opportunities for County Citizens. The County began using alternative financing sources to provide funding for conservation easements, a satellite Community College Campus, 2 senior centers and justice facilities. These projects are currently underway. Construction of the Carrboro High School in the Chapel Hill Carrboro District has been completed and construction of the 10th elementary school began in Chapel Hill Carrboro School District.

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 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, 2006. This marks the twenty-fifth 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 2006 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 2007 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 McGladrey & Pullen, LLP, for their assistance.

I thank the Board of County Commissioners and County Manager Laura Blackmon 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, 2006

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.



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

Comprehensive Annual Financial Report

Year Ended June 30, 2007



Moses Carey, Jr.
Chair, Board of County Commissioners

Laura Blackmon
County Manager

Kenneth T. Chavious
Finance Director

Prepared by the Orange County Finance Department

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Board of County Commissioners

June 30, 2006



Moses Carey, Jr., Chair

Barry Jacobs, Vice Chair

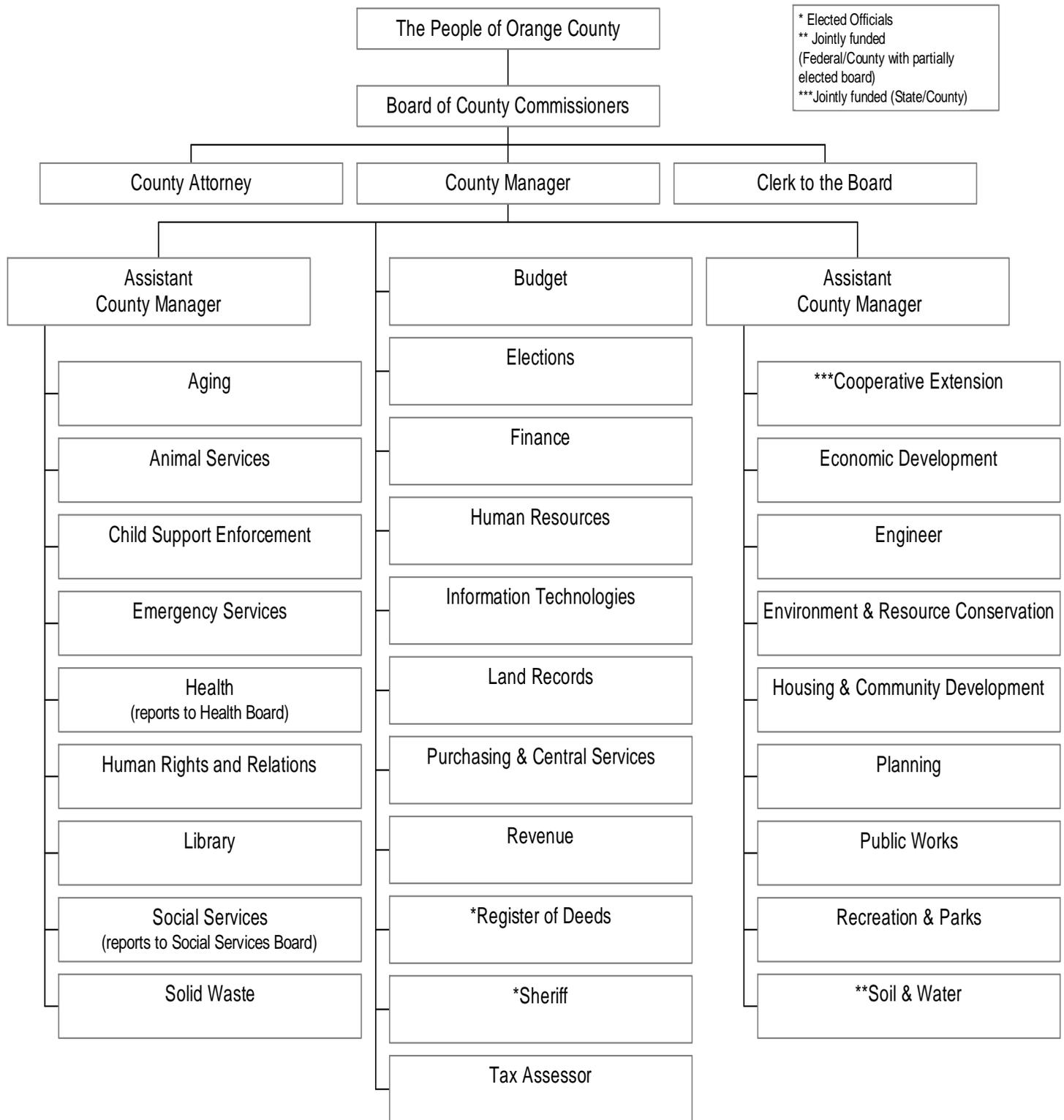
Alice M. Gordon

Valerie P. Foushee

Mike Nelson

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Orange County Government



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

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the 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, 2007, 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"), a component unit. 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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 November 20, 2007 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance schedule of funding progress and employer contributions on pages 3 through 14 and 63 through 64, respectively, are not a required part of the basic financial statements but are 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 it.

Our audit was conducted 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 financial statements and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2007 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. The combining and individual fund financial statements and other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 20, 2007

Orange County, North Carolina

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, 2007. 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 \$74,661,653 (net assets). In accordance with North Carolina law, liabilities of the County include approximately \$166 million in long-term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill-Carrboro City Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a net deficit in net assets.

The government's total net assets increased by \$541,596. This increase results mainly from significant increases in revenues generated by property tax collections, sales tax receipts and revenue from investment earnings. In addition, enterprise fund revenues reflected significant increases.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$109,130,842 an increase of \$37,156,903 in comparison with the prior year. This increase results mainly from the receipt of proceeds from debt financing of approximately \$59 million in the current year. Approximately 86 percent of the ending fund balance or \$94,219,092 is available for spending at the government's discretion (unreserved fund balance). Of this amount \$67,442,865 has been designated for subsequent year's expenditures and \$26,776,227 is undesignated.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$21,384,544 or 13 percent of total general fund expenditures for the fiscal year. None of this amount has been designated for subsequent year's expenditures.

The County maintained its AAA (Fitch IBCA), Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's) bond rating for the 10th 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 basic 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.

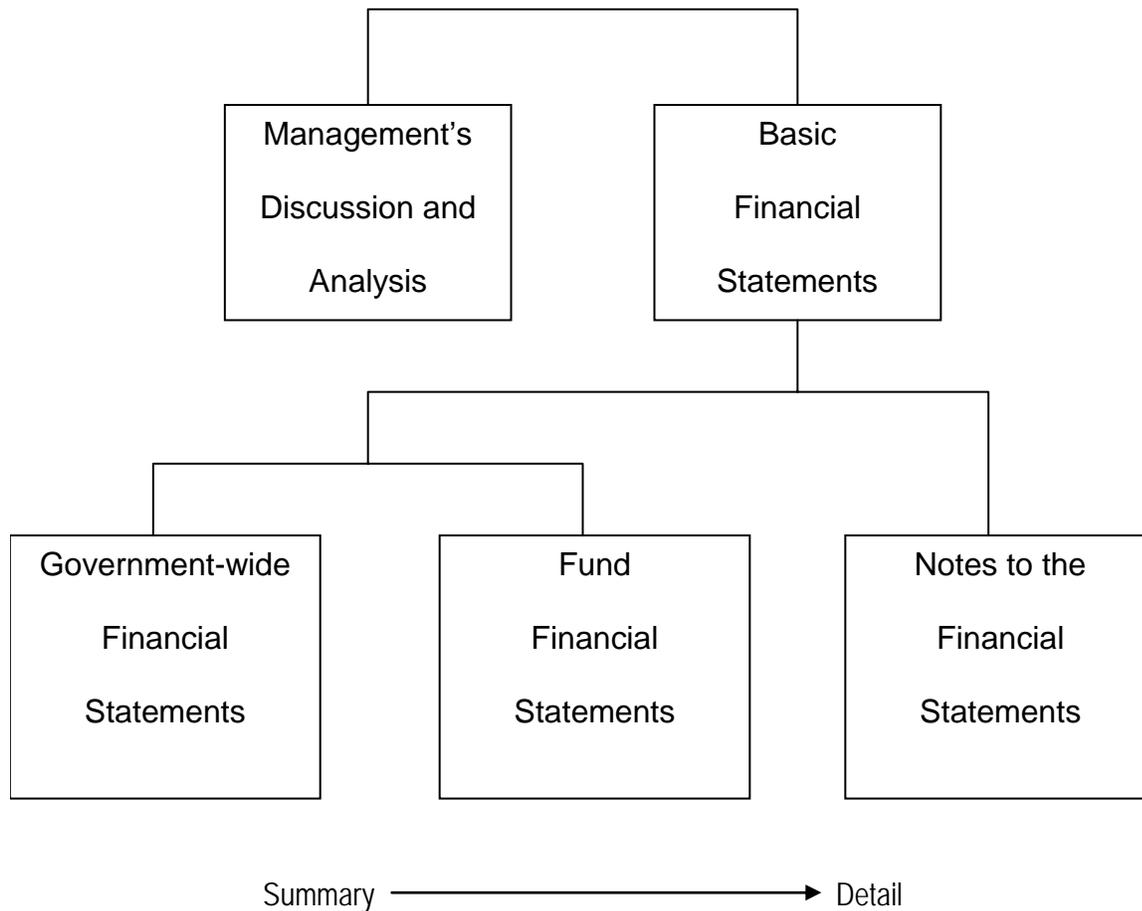
Management's Discussion and Analysis

Required Components of Annual Financial.

Report Figure 1

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 fiduciary fund statements.

Management's Discussion and Analysis

The next section of the basic financial statements is the notes. The notes to basic 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 nonmajor 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 recreational 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 16 through 18 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 noncompliance) 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.

Management's Discussion and Analysis

The County adopts an annual budget for its General 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 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 Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows 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 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The County has three 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 predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for assets the County holds on behalf of others. The County's fiduciary funds consist of six agency funds.

Notes to Basic 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 basic financial statements are on pages 31 - 62 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 63 of this report.

Orange County, North Carolina

Management's Discussion and Analysis

The County's Net Assets

Figure 2

Orange County's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 122,075,823	\$ 84,028,323	\$ 9,307,905	\$ 7,408,281	\$ 131,383,728	\$ 91,436,604
Capital assets	41,977,699	36,348,081	12,848,571	12,804,623	54,826,270	49,152,704
Total assets	164,053,522	120,376,404	22,156,476	20,212,904	186,209,998	140,589,308
Long-term liabilities outstanding	235,913,082	191,307,895	12,839,449	12,792,885	248,752,531	204,100,780
Other liabilities	11,527,044	11,201,579	592,076	490,198	12,119,120	11,691,777
Total liabilities	247,440,126	202,509,474	13,431,525	13,283,083	260,871,651	215,792,557
Net assets:						
Invested in capital assets, net of related debt	23,802,586	8,323,542	5,158,855	5,334,757	28,961,441	13,658,299
Restricted	49,125,807	22,521,235	-	-	49,125,807	22,521,235
Unrestricted (deficit)	(156,314,997)	(112,977,847)	3,566,096	1,595,064	(152,748,901)	(111,382,783)
Total net assets (deficit)	\$ (83,386,604)	\$ (82,133,070)	\$ 8,724,951	\$ 6,929,821	\$ (74,661,653)	\$ (75,203,249)

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 \$74,661,653 as of June 30, 2007. Net assets are reported in three categories: Invested in capital assets, net of related debt of \$28,961,441; Restricted net assets of \$49,125,807 and Unrestricted net assets (deficit) of \$(152,748,901).

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, 2007, there is an increase of \$15,303,142 in the County's investment in capital assets, net of related debt.

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, 2007, the County's restricted net assets increased by \$26,604,572 due to an increase in unspent debt proceeds.

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, 2007, the total net deficit reported of \$74,661,653 is primarily attributable to the unrestricted net deficit balance of \$(152,748,901).

Management's Discussion and Analysis

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 systems. The County has chosen to meet its legal obligation to provide the school systems 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 systems. 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 \$166 million of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements. The majority of this school system-related debt is general obligation debt, which 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 such requirements become due. The majority of the nongeneral obligation debt is repaid from a combination of School systems impact fees, sales taxes earmarked for school capital, education lottery proceeds and ad valorem property taxes allocated to school capital.

As noted earlier, the government's total net assets increased by \$541,596. This increase resulted mainly from significant increases in revenues generated by property tax collections, sales tax receipts and revenue from investment earnings, as well as significant increases in enterprise fund revenues. In addition, the following positive operational initiatives and results are noted:

- The County's continued diligence in the collection of property taxes by maintaining a collection percentage of approximately 99%, higher than the statewide average of 96.63%.
- The County continued to lead the State in per pupil funding for education.
- The County used proceeds from an installment purchase to provide funding for a new elementary school and major renovations in the Chapel Hill Carrboro School District. In addition, proceeds were used to provide construction funding for a major addition to the County's Justice facilities and a new senior center.
- The unrestricted fund balance in the County's general fund reflected an increase of \$6 million over the prior year. This increase exceeded projections and serves to enhance overall financial condition.

Orange County, North Carolina

Management's Discussion and Analysis

The County's Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 13,340,016	\$ 11,926,850	\$ 9,833,042	\$ 8,094,895	\$ 23,173,058	\$ 20,021,745
Operating grants and contribution:	23,514,334	20,151,410	215,234	195,214	23,729,568	20,346,624
Capital grants and contributions	3,857,083	1,661,237	-	-	3,857,083	1,661,237
General revenues:						
Property taxes	114,240,169	103,277,416	-	-	114,240,169	103,277,416
Other taxes	23,319,221	21,795,500	-	-	23,319,221	21,795,500
Other	4,531,513	5,343,957	430,957	231,250	4,962,470	5,575,207
Total revenues	182,802,336	164,156,370	10,479,233	8,521,359	193,281,569	172,677,729
Expenses:						
Governing and management	10,364,753	9,013,179	-	-	10,364,753	9,013,179
General services	11,404,059	10,371,173	-	-	11,404,059	10,371,173
Community and environment	9,922,055	9,078,254	-	-	9,922,055	9,078,254
Human services	34,318,247	33,499,003	-	-	34,318,247	33,499,003
Education	85,157,632	82,853,757	-	-	85,157,632	82,853,757
Public safety	20,546,205	18,278,983	-	-	20,546,205	18,278,983
Culture and recreation	3,245,515	2,508,464	-	-	3,245,515	2,508,464
Interest on long-term debt	8,290,604	7,526,775	-	-	8,290,604	7,526,775
Landfill	-	-	6,560,515	6,691,328	6,560,515	6,691,328
Sewer	-	-	209,020	181,329	209,020	181,329
SportsPlex	-	-	2,721,368	1,322,837	2,721,368	1,322,837
Total expenses	183,249,070	173,129,588	9,490,903	8,195,494	192,739,973	181,325,082
Increase in net assets before transfers	(446,734)	(8,973,218)	988,330	325,865	541,596	(8,647,353)
Transfers	(806,800)	(440,867)	806,800	440,867	-	-
Increase in net assets	(1,253,534)	(9,414,085)	1,795,130	766,732	541,596	(8,647,353)
Net assets, July 1, as previously reported	(82,133,070)	(73,803,256)	6,929,821	6,144,050	(75,203,249)	(67,659,206)
Prior period adjustment	-	1,084,271	-	19,039	-	1,103,310
Net assets, July 1, as restated	(82,133,070)	(72,718,985)	6,929,821	6,163,089	(75,203,249)	(66,555,896)
Net assets, June 30	\$ (83,386,604)	\$ (82,133,070)	\$ 8,724,951	\$ 6,929,821	\$ (74,661,653)	\$ (75,203,249)

Governmental activities. Governmental activities decreased the County's net assets by \$1,253,534. 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 Management Transportation and Communications services and Law enforcement initiatives in the Sheriff's Department.
- These decreases were offset by a \$10.9 million increase in property taxes due to upward adjustments to property tax rates and an increase in collection percentages.

Management's Discussion and Analysis

Business-type activities. Business-type activities increased the County's net assets by \$1,795,130 offsetting the decrease reflected in governmental activities. The majority of the increase is the result of the additional assets resulting from 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 \$21,384,544, while total fund balance reached \$32,811,680. 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 13 percent of total General Fund expenditures and transfers, while total fund balance represents 20 percent of that same amount. The increase in fund balance results from revenues exceeding expenditures and transfers by \$8,440,362.

In addition, the County and school capital improvement funds reflected significant increases in fund balance of \$16,578,725 and \$11,843,523, respectively. These increases are due mainly to additional funding provided by proceeds from an installment purchase used to finance major school and county construction projects. The unreserved portions of fund balance in these funds have been designated for expenditures in the subsequent year. Fund balance in all other governmental funds reflected a slight increase of \$294,293. As mentioned previously in Business-Type Activities, the net assets in the enterprise funds increased by \$1,795,130. This increase is attributable to the increase in fee revenue in the Solid waste landfill fund.

At June 30, 2007, the governmental funds of the County reported a combined fund balance of \$109,130,842, a 52 percent increase from last year. This increase is attributable mainly to the receipt of proceeds from the installment purchase mentioned above for approximately \$59 million in the capital projects funds.

General Fund Budgetary Highlights. During the 2007 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 tests and solidifying the reputations of both systems as excellent learning environments for young people.

In fiscal year 2007, the County's contribution to education funding, including operations, short- and long-range capital needs and debt service obligations, totaled \$85.1 million, over 46 percent of the total governmental funds expenditures for the year.

Orange County, North Carolina

Management's Discussion and Analysis

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 \$2.1 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 \$3,566,096. As previously indicated, the total growth in net assets for the proprietary funds was \$1,795,130. 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, 2007, totals \$54,826,270 (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and sewer lines.

Major capital asset transactions during the year include:

- Purchased various office equipment for day-to-day operations.
- Purchased landfill equipment.
- Completed construction of new County facilities.
- Purchased Sheriff vehicles as well as ambulances in the public safety area.
- Acquired park lands and open space.

The County's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 8,967,517	\$ 9,883,007	\$ 1,907,609	\$ 1,767,349	\$ 10,875,126	\$ 11,650,356
Land improvements	-	-	189,817	196,826	189,817	196,826
Water resources, Lake Orange	481,624	481,624	-	-	481,624	481,624
Buildings	16,907,350	14,455,205	5,555,756	5,778,606	22,463,106	20,233,811
Sewer lines	-	-	817,222	854,292	817,222	854,292
Automotive equipment	1,645,520	1,743,036	-	-	1,645,520	1,743,036
Office and other equipment	1,632,010	917,405	2,255,671	2,411,920	3,887,681	3,329,325
Construction in progress	12,343,678	8,867,804	2,122,496	1,795,630	14,466,174	10,663,434
Total	\$ 41,977,699	\$ 36,348,081	\$ 12,848,571	\$ 12,804,623	\$ 54,826,270	\$ 49,152,704

Additional information on the County's capital assets can be found in Note 3 of the Basic Financial Statements.

Orange County, North Carolina

Management's Discussion and Analysis

Long-Term Debt. As of June 30, 2007, the County had total bonded debt outstanding of \$139,215,000 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 139,215,000	\$ 148,175,000	\$ -	\$ -	\$ 139,215,000	\$ 148,175,000
Obligations under capital leases	1,849,471	2,765,956	1,676,173	1,233,830	3,525,644	3,999,786
Installment notes payable	92,219,561	37,878,032	6,013,542	6,570,860	98,233,103	44,448,892
Bond issuance items, net	(530,792)	(1,073,758)	-	-	(530,792)	(1,073,758)
Accrued compensated absences	2,645,041	3,037,850	210,880	173,310	2,855,921	3,211,160
Separation allowance	514,801	524,815	-	-	514,801	524,815
Post closing liability	-	-	4,938,854	4,814,885	4,938,854	4,814,885
Total long-term debt	\$ 235,913,082	\$ 191,307,895	\$ 12,839,449	\$ 12,792,885	\$ 248,752,531	\$ 204,100,780

The County's total debt increased by \$44,651,751 or 22% during the past fiscal year. The increase is due mainly to installment purchase agreement entered into by the County for the construction of facilities as noted previously.

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

Moody's Investor Services	Aa2
Standard & Poor's	AA+
Fitch IBCA	AAA

These bond ratings are 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 approximately \$745 million. The County has \$6,900,000 in bonds authorized but unissued at June 30, 2007.

Additional information regarding the County's long-term debt can be found in Note 5 on pages 46 - 50 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 2007 was 3.3%, one of the lowest in the State.

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Orange County, North Carolina

Management's Discussion and Analysis

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 1950s, 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 June 2007, approximately 41,000 people were employed at the Park with an annual payroll of approximately \$2.7 billion with an average salary of \$57,500. 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 Ended June 30, 2008

Governmental Activities: The County has approved an \$174 million General Fund budget for fiscal year 2008 which represents an \$11 million or 7% increase over fiscal year 2007. This will be accomplished by a 5 cent increase in the property tax rate. It is expected that the majority of this increase will be used to pay debt service and to increase per pupil allocations to the school systems. Additionally, the County intends to issue debt to finance the construction of additional County facilities, purchase park land and conservation easements.

Budgeted expenditures for education are expected to increase \$3.1 million for current expense, which will increase the per pupil allocation by \$112 to \$3,069. In addition, in reference to business-type activities, the County expects those budgets to increase by \$2 million. This increase will fund further waste reduction and recycling activities in Solid Waste as well as provide funding for activities 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 for 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.

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Orange County, North Carolina

Statement of Net Assets
June 30, 2007

	Primary Government			Component Unit	Reporting Unit
	Governmental Activities	Business-Type Activities	Total	Orange County ABC Board	Total
Assets					
Cash and investments	\$ 58,105,585	\$ 9,116,462	\$ 67,222,047	\$ 1,605,131	\$ 68,827,178
Receivables, property taxes, net	1,806,321	-	1,806,321	-	1,806,321
Receivables, federal intergovernmental	507,800	-	507,800	-	507,800
Receivables, state intergovernmental	9,297,332	45,743	9,343,075	-	9,343,075
Receivables, other	1,433,121	329,385	1,762,506	-	1,762,506
Inventories	113,966	-	113,966	1,234,368	1,348,334
Internal balances	202,983	(202,983)	-	-	-
Due from other governments	3,187	-	3,187	-	3,187
Prepaid expenses	-	19,298	19,298	84,236	103,534
Restricted assets:					
Temporarily restricted:					
Cash and investments	49,125,807	-	49,125,807	-	49,125,807
Capital assets:					
Nondepreciable	21,792,819	4,030,105	25,822,924	266,946	26,089,870
Depreciable	20,184,880	8,818,466	29,003,346	947,228	29,950,574
Other assets	1,479,721	-	1,479,721	27,583	1,507,304
Total assets	164,053,522	22,156,476	186,209,998	4,165,492	190,375,490
Liabilities					
Accounts payable	6,959,186	245,180	7,204,366	425,995	7,630,361
Payroll withholdings	837,986	84,492	922,478	-	922,478
Accrued liabilities	2,943,467	111,477	3,054,944	304,604	3,359,548
Trust accounts	148,062	-	148,062	-	148,062
Unearned revenues	638,343	150,927	789,270	-	789,270
Long-term liabilities:					
Due in less than one year	16,895,325	1,257,312	18,152,637	-	18,152,637
Due in more than one year	219,017,757	11,582,137	230,599,894	-	230,599,894
Total liabilities	247,440,126	13,431,525	260,871,651	730,599	261,602,250
Net Assets					
Invested in capital assets, net of related debt	23,802,586	5,158,855	28,961,441	1,214,174	30,175,615
Unrestricted (deficit)	(107,189,190)	3,566,096	(103,623,094)	2,220,719	(101,402,375)
Total net assets (deficit)	\$ (83,386,604)	\$ 8,724,951	\$ (74,661,653)	\$ 3,434,893	\$ (71,226,760)

See Notes to Basic Financial Statements.

Orange County, North Carolina

Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governing and management	\$ 10,364,753	\$ 1,863,661	\$ 335,137	\$ -
General services	11,404,059	2,502,563	931,064	325,846
Community and environment	9,922,055	-	52,086	-
Human services	34,318,247	1,486,529	19,913,884	-
Education	85,157,632	2,020,400	-	3,531,237
Public safety	20,546,205	5,252,767	2,148,145	-
Culture and recreation	3,245,515	214,096	134,018	-
Interest on long-term debt	8,290,604	-	-	-
Total governmental activities	183,249,070	13,340,016	23,514,334	3,857,083
Business-type activities:				
Landfill	6,560,515	7,560,465	215,234	-
Sewer	209,020	64,201	-	-
SportsPlex	2,721,368	2,208,376	-	-
Total business-type activities	9,490,903	9,833,042	215,234	-
Total primary government	\$ 192,739,973	\$ 23,173,058	\$ 23,729,568	\$ 3,857,083
Component unit:				
ABC Board	\$ 12,031,385	\$ 12,337,535	\$ -	\$ -

General revenues:
 Property taxes
 Sales taxes
 Occupancy taxes
 Unrestricted investment earnings
 Gain on sale of capital assets
 Miscellaneous
 Transfers
Total general revenues and transfers

Change in net assets

Net assets, beginning
 Net assets, ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units	Total Reporting Unit
\$ (8,165,955)	\$ -	\$ (8,165,955)	\$ -	\$ (8,165,955)
(7,644,586)	-	(7,644,586)	-	(7,644,586)
(9,869,969)	-	(9,869,969)	-	(9,869,969)
(12,917,834)	-	(12,917,834)	-	(12,917,834)
(79,605,995)	-	(79,605,995)	-	(79,605,995)
(13,145,293)	-	(13,145,293)	-	(13,145,293)
(2,897,401)	-	(2,897,401)	-	(2,897,401)
(8,290,604)	-	(8,290,604)	-	(8,290,604)
(142,537,637)	-	(142,537,637)	-	(142,537,637)
-	1,215,184	1,215,184	-	1,215,184
-	(144,819)	(144,819)	-	(144,819)
-	(512,992)	(512,992)	-	(512,992)
-	557,373	557,373	-	557,373
(142,537,637)	557,373	(141,980,264)	-	(141,980,264)
-	-	-	306,150	306,150
114,240,169	-	114,240,169	-	114,240,169
22,654,318	-	22,654,318	-	22,654,318
664,903	-	664,903	-	664,903
3,532,744	321,584	3,854,328	-	3,854,328
-	107,856	107,856	-	107,856
998,769	1,517	1,000,286	64,567	1,064,853
(806,800)	806,800	-	-	-
141,284,103	1,237,757	142,521,860	64,567	142,586,427
(1,253,534)	1,795,130	541,596	370,717	912,313
(82,133,070)	6,929,821	(75,203,249)	3,064,176	(72,139,073)
\$ (83,386,604)	\$ 8,724,951	\$ (74,661,653)	\$ 3,434,893	\$ (71,226,760)

Orange County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2007

	General	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 26,888,336	\$ 47,670,215	\$ 25,853,921	\$ 6,570,908	\$ 106,983,380
Accounts receivable, property taxes, net	1,747,679	-	-	58,642	1,806,321
Accounts receivable, federal	368,459	-	-	139,341	507,800
Accounts receivable, state	8,871,308	-	-	426,024	9,297,332
Accounts receivable, other	469,097	-	-	964,024	1,433,121
Inventories	113,966	-	-	-	113,966
Due from other funds	637,577	66,983	-	-	704,560
Due from other governments	3,187	-	-	-	3,187
Total assets	\$ 39,099,609	\$ 47,737,198	\$ 25,853,921	\$ 8,158,939	\$ 120,849,667
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,111,638	\$ 1,026,032	\$ 3,652,924	\$ 168,592	\$ 6,959,186
Payroll withholdings	814,857	-	-	23,129	837,986
Accrued liabilities	500,089	-	-	-	500,089
Trust accounts	148,062	-	-	-	148,062
Due to other funds	-	-	-	501,577	501,577
Deferred revenue	2,713,283	-	-	58,642	2,771,925
Total liabilities	6,287,929	1,026,032	3,652,924	751,940	11,718,825
Fund balances:					
Reserved for inventories	113,966	-	-	-	113,966
Reserved for encumbrances	963,542	1,802,573	-	85,669	2,851,784
Reserved for State statute	10,349,628	66,983	-	1,529,389	11,946,000
Unreserved, designated for subsequent year's expenditures reported in:					
Capital projects funds	-	44,841,610	22,200,997	-	67,042,607
Special revenue funds	-	-	-	400,258	400,258
Unreserved, undesignated reported in:					
General fund	21,384,544	-	-	-	21,384,544
Special revenue funds	-	-	-	5,391,683	5,391,683
Total fund balances	32,811,680	46,711,166	22,200,997	7,406,999	109,130,842
Total liabilities and fund balances	\$ 39,099,609	\$ 47,737,198	\$ 25,853,921	\$ 8,158,939	\$ 120,849,667

See Notes to Basic Financial Statements.

Orange County, North Carolina

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:	
Ending fund balance - governmental funds	\$ 109,130,842
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	41,977,699
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	2,133,582
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	(2,420,327)
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 deferred loan costs from the cost to issue debt	1,479,721
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	224,961
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(235,913,082)
Net assets of governmental activities	<u>\$ (83,386,604)</u>

See Notes to Basic Financial Statements.

Orange County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2007

	General	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 111,485,798	\$ -	\$ -	\$ 3,331,243	\$ 114,817,041
Sales tax	22,192,866	-	444,096	-	22,636,962
Intergovernmental revenues	19,358,562	325,846	-	7,687,009	27,371,417
Charges for services	10,029,562	-	-	531,364	10,560,926
Investment earnings	1,803,382	1,157,703	206,754	355,435	3,523,274
Licenses and permits	332,545	-	-	-	332,545
Impact fees	-	-	-	2,020,400	2,020,400
Miscellaneous	656,085	6,968	199,999	131,768	994,820
Total revenues	165,858,800	1,490,517	850,849	14,057,219	182,257,385
Expenditures					
Current:					
Governing and management	7,765,185	-	-	-	7,765,185
General services	9,609,865	-	-	987,467	10,597,332
Community and environment	3,820,551	-	-	5,712,525	9,533,076
Human services	33,765,320	-	-	83,566	33,848,886
Education	56,993,744	-	-	-	56,993,744
Public safety	15,059,864	-	-	4,726,344	19,786,208
Culture and recreation	3,156,900	-	-	-	3,156,900
Capital outlay	-	10,803,338	28,163,888	-	38,967,226
Debt service:					
Principal	14,553,179	34,828	-	-	14,588,007
Interest and fees	8,114,118	-	-	-	8,114,118
Total expenditures	152,838,726	10,838,166	28,163,888	11,509,902	203,350,682
Excess (deficiency) of revenues over (under) expenditures	13,020,074	(9,347,649)	(27,313,039)	2,547,317	(21,093,297)
Other financing sources (uses)					
Installment loans issuance	-	23,256,000	35,801,000	-	59,057,000
Transfers in	3,683,545	2,970,374	4,155,562	982,508	11,791,989
Transfers out	(8,263,257)	(300,000)	(800,000)	(3,235,532)	(12,598,789)
Total other financing sources (uses)	(4,579,712)	25,926,374	39,156,562	(2,253,024)	58,250,200
Net change in fund balances	8,440,362	16,578,725	11,843,523	294,293	37,156,903
Fund balances, beginning	24,371,318	30,132,441	10,357,474	7,112,706	71,973,939
Fund balances, ending	\$ 32,811,680	\$ 46,711,166	\$ 22,200,997	\$ 7,406,999	\$ 109,130,842

See Notes to Basic Financial Statements.

Orange County, North Carolina

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ 37,156,903
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The components of the change are as follows:	
Capital outlay	9,228,980
Depreciation expense	(2,271,362)
Other capital adjustments	(1,328,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	105,387
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	(59,057,000)
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	(330,625)
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	154,139
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	14,591,956
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	402,823
The internal service fund is used by management to charge the costs of dental insurance	93,265
Change in net assets of governmental activities	\$ (1,253,534)

See Notes to Basic Financial Statements.

Orange County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2007

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 109,985,722	\$ 109,985,722	\$ 111,485,798	\$ 1,500,076
Sales tax	20,806,210	20,806,210	22,192,866	1,386,656
Intergovernmental revenues	17,532,863	19,536,676	19,358,562	(178,114)
Charges for services	9,203,189	9,249,144	10,029,562	780,418
Investment earnings	1,000,000	1,000,000	1,803,382	803,382
Licenses and permits	270,000	270,000	332,545	62,545
Miscellaneous	620,080	647,780	656,015	8,235
Total revenues	159,418,064	161,495,532	165,858,730	4,363,198
Expenditures				
Current:				
Governing and management	7,760,011	9,218,615	7,765,185	1,453,430
General services	10,114,123	10,130,148	9,609,865	520,283
Community and environment	4,034,546	4,171,333	3,820,551	350,782
Human services	34,167,583	35,667,335	33,765,320	1,902,015
Education	56,993,744	56,993,744	56,993,744	-
Public safety	15,392,193	15,467,292	15,059,864	407,428
Culture and recreation	3,203,709	3,294,760	3,156,900	137,860
Debt service:				
Principal	14,547,729	14,547,729	14,553,179	(5,450)
Interest and fees	8,831,514	8,831,514	8,114,118	717,396
Total expenditures	155,045,152	158,322,470	152,838,726	5,483,744
Excess of revenues over expenditures	4,372,912	3,173,062	13,020,004	9,846,942
Other financing sources (uses)				
Transfers in	3,683,545	3,683,545	3,683,545	-
Transfers out	(8,056,457)	(8,263,257)	(8,263,257)	-
Appropriated fund balance	-	1,406,650	-	(1,406,650)
Total other financing sources (uses)	(4,372,912)	(3,173,062)	(4,579,712)	(1,406,650)
Revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	8,440,292	\$ 8,440,292
Fund balance, beginning			24,371,318	
Decrease in reserve for inventory			70	
Fund balance, ending			\$ 32,811,680	

See Notes to Basic Financial Statements.

Orange County, North Carolina

Statement of Net Assets - Proprietary Funds
June 30, 2007

	Enterprise Funds				Internal
	Solid Waste Landfill Fund	Efland Sewer Fund	SportsPlex Fund	Total	Service Fund Dental Insurance Fund
Assets					
Current Assets					
Cash and investments	\$ 8,199,423	\$ 98,688	\$ 818,351	\$ 9,116,462	\$ 248,012
Accounts receivable, state	45,743	-	-	45,743	-
Accounts receivable, other	248,572	-	80,813	329,385	-
Prepaid expenses	-	-	19,298	19,298	-
Total current assets	8,493,738	98,688	918,462	9,510,888	248,012
Noncurrent Assets					
Capital assets, net	6,537,541	874,339	5,436,691	12,848,571	-
Total assets	15,031,279	973,027	6,355,153	22,359,459	248,012
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	182,185	18,217	44,778	245,180	-
Payroll withholdings	50,004	-	34,488	84,492	-
Accrued liabilities	25,030	-	739	25,769	23,051
Accrued interest	24,209	-	61,499	85,708	-
Due to other funds	-	202,983	-	202,983	-
Unearned revenues	-	-	150,927	150,927	-
Current portion of long-term debt	826,153	-	301,363	1,127,516	-
Compensated absences, current portion	129,796	-	-	129,796	-
Total current liabilities	1,237,377	221,200	593,794	2,052,371	23,051
Noncurrent Liabilities					
Compensated absences	81,083	-	-	81,083	-
Post closing liability	4,938,854	-	-	4,938,854	-
Long-term debt	1,143,108	-	5,419,092	6,562,200	-
Total noncurrent liabilities	6,163,045	-	5,419,092	11,582,137	-
Total liabilities	7,400,422	221,200	6,012,886	13,634,508	23,051
Net Assets					
Invested in capital assets, net of related debt	4,568,280	874,339	(283,764)	5,158,855	-
Unrestricted (deficit)	3,062,577	(122,512)	626,031	3,566,096	224,961
Total net assets	\$ 7,630,857	\$ 751,827	\$ 342,267	\$ 8,724,951	\$ 224,961

See Notes to Basic Financial Statements.

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Orange County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2007

	Enterprise Funds			Total	Internal
	Solid Waste Landfill Fund	Efland Sewer Fund	SportsPlex Fund		Service Fund Dental Insurance Fund
Operating revenues					
Landfill fees	\$ 7,560,465	\$ -	\$ -	\$ 7,560,465	\$ -
Service fees	-	64,201	2,208,376	2,272,577	-
Other	1,517	-	-	1,517	-
Employee contributions	-	-	-	-	426,145
Total operating revenues	7,561,982	64,201	2,208,376	9,834,559	426,145
Operating expenses					
Landfill	4,475,202	-	-	4,475,202	-
General and administrative	1,015,953	171,950	2,272,863	3,460,766	19,388
Depreciation	891,060	37,070	202,857	1,130,987	-
Post closing cost	123,999	-	-	123,999	-
Claims expense	-	-	-	-	322,962
Total operating expenses	6,506,214	209,020	2,475,720	9,190,954	342,350
Operating income (loss)	1,055,768	(144,819)	(267,344)	643,605	83,795
Nonoperating revenue (expense):					
Investment earnings	319,793	1,791	-	321,584	9,470
Interest and fees	(54,301)	-	(245,648)	(299,949)	-
Gain on disposal of capital assets	107,856	-	-	107,856	-
Grant, State	215,234	-	-	215,234	-
Total nonoperating revenue (expense)	588,582	1,791	(245,648)	344,725	9,470
Income (loss) before transfers	1,644,350	(143,028)	(512,992)	988,330	93,265
Transfers in	-	106,800	700,000	806,800	-
Change in net assets	1,644,350	(36,228)	187,008	1,795,130	93,265
Net assets, beginning	5,986,507	788,055	155,259	6,929,821	131,696
Net assets, ending	\$ 7,630,857	\$ 751,827	\$ 342,267	\$ 8,724,951	\$ 224,961

See Notes to Basic Financial Statements.

Orange County, North Carolina

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2007

	Enterprise Funds			Total	Internal
	Solid Waste Landfill Fund	Efland Sewer Fund	SportsPlex Fund		Service Fund Dental Insurance Fund
Cash Flows From Operating Activities					
Cash received from customers	\$ 7,610,190	\$ -	\$ 2,165,302	\$ 9,775,492	\$ -
Cash received from assessments	-	64,201	-	64,201	-
Cash received from employee contributions	-	-	-	-	426,145
Cash paid to employees	(1,227,608)	(171,950)	(796,127)	(2,195,685)	-
Cash paid for goods and services	(4,156,792)	3,231	(1,465,023)	(5,618,584)	(19,388)
Cash paid for claims	-	-	-	-	(349,115)
Net cash provided by (used in) operating activities	2,225,790	(104,518)	(95,848)	2,025,424	57,642
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	106,800	700,000	806,800	-
Unrestricted grants	219,669	-	-	219,669	-
Net cash provided by noncapital financing activities	219,669	106,800	700,000	1,026,469	-
Cash Flows From Capital and Related Financing Activities					
Proceeds from the sale of capital assets	107,856	-	-	107,856	-
Payments related to the acquisition of capital assets	(1,111,794)	-	(63,141)	(1,174,935)	-
Proceeds from the issuance of long-term debt	842,038	-	-	842,038	-
Interest paid on long-term debt	(65,998)	-	(245,995)	(311,993)	-
Payments related to the payment of debt	(677,467)	-	(279,545)	(957,012)	-
Net cash used in capital and related financing activities	(905,365)	-	(588,681)	(1,494,046)	-
Cash Flows Provided By Investing Activities					
Interest received	319,793	1,791	-	321,584	9,470
Net increase in cash and cash equivalents	1,859,887	4,073	15,471	1,879,431	67,112
Cash and cash equivalents:					
Beginning of year	6,339,536	94,615	802,880	7,237,031	180,900
End of year	\$ 8,199,423	\$ 98,688	\$ 818,351	\$ 9,116,462	\$ 248,012

(Continued)

Orange County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
Year Ended June 30, 2007

	Enterprise Funds			Total	Internal
	Solid Waste Landfill Fund	Efland Sewer Fund	SportsPlex Fund		Service Fund Dental Insurance Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities					
Operating income (loss)	\$ 1,055,768	\$ (144,819)	\$ (267,344)	\$ 643,605	\$ 83,795
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	891,060	37,070	202,857	1,130,987	-
Post closing cost	123,969	-	-	123,969	-
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	48,208	-	(73,627)	(25,419)	-
Prepaid expenses	-	-	791	791	-
Increase (decrease) in:					
Accounts payable and accrued liabilities	69,216	3,231	10,922	83,369	(23,699)
Compensated absences	37,569	-	-	37,569	-
Unearned revenues	-	-	30,553	30,553	-
Incurred but not reported reserve	-	-	-	-	(2,454)
Total adjustments	1,170,022	40,301	171,496	1,381,819	(26,153)
Net cash provided by (used in) operating activities	\$ 2,225,790	\$ (104,518)	\$ (95,848)	\$ 2,025,424	\$ 57,642

See Notes to Basic Financial Statements.

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Orange County, North Carolina

Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2007

	Agency Funds
<hr/>	
Assets	
Cash and investments	\$ 315,562
Accounts receivable, property taxes, net	142,411
Accounts receivable, other	4,826
Total assets	<u><u>\$ 462,799</u></u>
Liabilities	
Accounts payable	\$ 337,788
Due to library	4,182
Due to cooperative extension	71,076
Due to jail inmates	49,753
Total liabilities	<u><u>\$ 462,799</u></u>

See Notes to Basic Financial Statements.

Notes to Basic Financial Statements

Note 1. 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, planning and zoning, cultural and recreational programs, and housing and community development service programs. In addition, inspections, environmental resources, 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.

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, 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 unit, a legally separate entity 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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

B. 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 off 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 result from non-exchange transactions. Other nonoperating items, such as investment earnings, are ancillary activities.

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.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The County reports the following Major Enterprise Funds:

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.

Additionally, the County reports the following fund types:

The County reports the following Nonmajor Governmental Funds: Impact Fee, 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 Enhancement, and Recreation Subdivision.

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

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 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; the No Fault Well Repair Fund, which accounts for funds made available from American Stone and the Orange Water and Sewer Authority for residents within 3,000 feet of the perimeter of the American Stone quarry to repair or replace residential wells that fail for any reason other than as the probable result of American Stone quarry operation; the Communication Tower Trust Fund; which is used to account for application fees paid to the County by telecommunication companies, with these fees being used to pay costs associated with determining tower location and construction with unused fees being returned to the telecommunication companies; and the jail inmate trust fund, which accounts for the receipts from jail inmates who are incarcerated in the county jail.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

C. 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the County's enterprise funds and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, 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, Orange County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual 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, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the annual registration, into the staggered initial 2006 registration renewals varied from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

Sales taxes collected and certain intergovernmental revenues such as the utilities franchise tax, collected and 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Control

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds (except where project ordinances are adopted), and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Community Development Special Revenue Fund, the Grant Projects Special Revenue Fund, the Adoption Enhancement Special Revenue Fund, and the Capital Projects Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The County Manager is authorized to transfer budget amounts within the functional categories in any fund; however, any revisions that alter total expenditures of any functional category or fund must be approved by the Board of County Commissioners. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The following summarizes the supplementary appropriations made during 2007:

	Original Budget	Total Amendments	Revised Budget
General Fund	\$ 163,101,609	\$ 2,077,468	\$ 165,179,077
Special Revenue Funds:			
Property Revaluation	134,581	-	134,581
Emergency Telephone System	484,535	75,297	559,832
Visitor's Bureau	656,387	79,416	735,803
Fire Districts	2,596,127	52,000	2,648,127
Enterprise Funds:			
Solid Waste/Landfill	7,698,044	1,431,959	9,130,003
Efland Sewer Fund	160,000	12,450	172,450

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, 2007.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Fund Equity

1. Deposits and 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.

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust ("NCCMT").

The County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. 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.

3. Restricted Assets and Restricted Net 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 \$49,125,807 at June 30, 2007.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2007. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts. 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.

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 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.

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

5. 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 \$1,026,414 at June 30, 2007.

6. 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.

7. 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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

The County holds title to certain Orange County Board of Education and Chapel Hill-Carrboro City 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 Boards of Education give the Boards 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 Boards 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 and Chapel Hill-Carrboro City 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 using the half-year convention in the year of acquisition over the following estimated useful lives:

Description	Years
Buildings and land improvements	20 - 30
Automotive equipment	3 - 5
Office and other equipment	5 - 20
Sewer lines	40

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	Years
Buildings	25 - 50
Building improvements	10 - 15
Motor vehicles	3
Furniture, fixtures and equipment	3 - 5
Computers	5

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

9. 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 an other financing source.

10. 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, 2007 amounted to \$2,645,041 for governmental activities and \$210,879 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.

Permanent employees of the County earn sick leave at a 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, 2007 amounted to \$11,141,152 in total, \$10,460,783 of which relates to the governmental funds and \$680,369 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.

11. 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 general obligation debt totaling approximately \$166 million incurred for the Orange County and the Chapel Hill-Carrboro City Boards 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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.
- Designated for subsequent year's expenditures -- represents the amount of fund balance appropriated to the budget for the year ending June 30, 2008.
- Undesignated -- represents the amount of fund balance that is available for future appropriations.

F. 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, 2007.

G. 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.

H. Reclassifications

The County's policy is to reclassify certain amounts reported in prior years' financial statements when necessary for conformity with classifications adopted in the current year. These reclassifications did not have an effect on the prior year's change in net assets or total net assets.

Notes to Basic Financial Statements

Note 2. Deposits and Investments

All of the County's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits excluding the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agent in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the 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 noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the 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 undercollateralization, 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 that collateralizes public deposits using the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At year-end, the County's deposits had a carrying amount of \$96,228,782 and a bank balance of \$98,195,661. Of the bank balance, \$546,092 was covered by federal depository insurance and \$97,649,569 was covered by collateral held under the Pooling Method. At June 30, 2007, the County had \$10,269 cash on hand.

At year-end, the ABC Board's deposits had a carrying amount of \$1,593,181 and a bank balance of \$1,659,835. All of the bank balance was covered by federal depository insurance at June 30, 2007, the Board has \$11,950 cash on hand.

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
NC Capital Management Trust, Cash Portfolio	\$ 20,424,365	N/A	N/A	N/A

At June 30, 2007, the County's investments consisted of \$20,424,365 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, 2007.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance, Beginning	Increase	Decrease	Transfers	Balance, Ending
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 9,883,007	\$ -	\$ 1,254,011	\$ 338,521	\$ 8,967,517
Water resources, Lake Orange	481,624	-	-	-	481,624
Construction-in-progress	8,867,804	7,246,268	-	(3,770,394)	12,343,678
Total capital assets not being depreciated	19,232,435	7,246,268	1,254,011	(3,431,873)	21,792,819
Capital assets being depreciated:					
Buildings	29,372,740	-	-	3,359,755	32,732,495
Automotive equipment	7,874,735	955,143	493,267	16,377	8,352,988
Other equipment	3,241,873	1,027,569	315,492	55,741	4,009,691
Total capital assets being depreciated	40,489,348	1,982,712	808,759	3,431,873	45,095,174
Less accumulated depreciation:					
Buildings	14,917,535	907,610	-	-	15,825,145
Automotive equipment	6,131,699	1,050,939	475,170	-	6,707,468
Other equipment	2,324,468	312,813	259,600	-	2,377,681
Total accumulated depreciation	23,373,702	\$ 2,271,362	\$ 734,770	\$ -	24,910,294
Total capital assets being depreciated, net	17,115,646				20,184,880
Governmental activities capital assets, net	\$ 36,348,081				\$ 41,977,699

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

Governing and management	\$ 90,406
General services	504,659
Community and environment	84,404
Human services	626,462
Public safety	876,816
Culture and recreation	88,615
Total depreciation expense	\$ 2,271,362

Orange County, North Carolina

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Balance, Beginning	Increase	Decrease	Transfers	Balance, Ending
Business-type activities:					
Solid Waste Landfill:					
Capital assets not being depreciated:					
Land	\$ 1,302,630	\$ 140,260	\$ -	\$ -	\$ 1,442,890
Construction-in-progress	1,795,630	326,866	-	-	2,122,496
Total capital assets not being depreciated	3,098,260	467,126	-	-	3,565,386
Capital assets being depreciated:					
Land improvements	3,427,406	-	-	-	3,427,406
Buildings	863,077	-	-	-	863,077
Equipment	7,744,198	644,668	384,306	-	8,004,560
Total capital assets being depreciated	12,034,681	644,668	384,306	-	12,295,043
Less accumulated depreciation:					
Land improvements	3,230,580	7,009	-	-	3,237,589
Buildings	240,933	33,489	-	-	274,422
Equipment	5,344,621	850,562	384,306	-	5,810,877
Total accumulated depreciation	8,816,134	891,060	384,306	-	9,322,888
Total capital assets being depreciated, net	3,218,547				2,972,155
Total Solid Waste Landfill	6,316,807				6,537,541
Efland Sewer:					
Capital assets not being depreciated:					
Land and right of way	57,117	-	-	-	57,117
Capital assets being depreciated:					
Sewer lines	1,482,787	-	-	-	1,482,787
Less accumulated depreciation:					
Sewer line	628,495	37,070	-	-	665,565
Total capital assets being depreciated, net	854,292				817,222
Total Efland Sewer	911,409				874,339
SportsPlex:					
Capital assets not being depreciated:					
Land	407,602	-	-	-	407,602
Capital assets being depreciated:					
Buildings	5,243,860	-	-	-	5,243,860
Equipment	13,714	63,141	-	-	76,855
Total capital assets being depreciated	5,257,574	63,141	-	-	5,320,715
Less accumulated depreciation:					
Buildings	87,398	189,362	-	-	276,760
Equipment	1,371	13,495	-	-	14,866
Total accumulated depreciation	88,769	202,857	-	-	291,626
Total capital assets being depreciated, net	5,168,805				5,029,089
Total SportsPlex	5,576,407				5,436,691
Business-type activities capital assets, net	\$ 12,804,623				\$ 12,848,571

Orange County, North Carolina

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Beginning	Increases	Decreases	Ending
Orange County ABC Board:				
Capital assets not being depreciated:				
Land	\$ 252,238	\$ 14,708	\$ -	\$ 266,946
Capital assets being depreciated:				
Building and improvements	1,304,877	96,085	-	1,400,962
Store Number 1 Hillsborough	63,943	3,630	-	67,573
Store Number 2 Eastgate/Village Plaza	41,598	31	-	41,629
Store Number 3 Chapel Hill North	52,506	1,194	-	53,700
Store Number 4 Mebane	47,743	-	-	47,743
Store Number 5 Meadowmont	-	63,727	-	63,727
Store Number 6 Eno	73,996	-	-	73,996
Store Number 7 Carrboro	49,487	-	5,721	43,766
Store Number 9 Carrboro	21,092	-	-	21,092
Warehouse fixtures and equipment	5,805	-	-	5,805
Office furniture, fixtures and equipment	35,601	456	-	36,057
Motor vehicles	66,594	-	-	66,594
Total	1,763,242	165,123	5,721	1,922,644
Less accumulated depreciation for:				
Building and improvements	570,183	69,630	-	639,813
Store Number 1 Hillsborough	43,448	2,583	-	46,031
Store Number 2 Eastgate/Village Plaza	33,402	-	13,304	20,098
Store Number 3 Chapel Hill North	37,421	-	7,582	29,839
Store Number 4 Mebane	24,538	5,727	-	30,265
Store Number 5 Meadowmont	-	10,140	-	10,140
Store Number 6 Eno	54,727	5,841	-	60,568
Store Number 6 Carrboro	38,004	-	10,977	27,027
Store Number 9 Carrboro	11,587	4,218	-	15,805
Warehouse fixtures and equipment	951	1,161	-	2,112
Office furniture, fixtures and equipment	24,671	3,774	-	28,445
Motor vehicles	61,310	3,963	-	65,273
Total	900,242	\$ 107,037	\$ 31,863	975,416
Total capital assets being depreciated, net	863,000			947,228
Orange County ABC Board capital assets, net	\$ 1,115,238			\$ 1,214,174

Orange County, North Carolina

Notes to Basic Financial Statements

Note 4. Deferred/Unearned Revenues

At June 30, 2007 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)	\$ 1,747,679	\$ -
Net property taxes receivable (Fire Districts Special Revenue)	58,642	-
Prepaid taxes (General)	327,261	-
Other deferred revenue	638,343	638,343
	<u>\$ 2,771,925</u>	<u>\$ 638,343</u>

Note 5. Long-Term Obligations

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2007:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 148,175,000	\$ -	\$ 8,960,000	\$ 139,215,000	\$ 8,925,000
Obligations under capital leases	2,765,956	-	916,485	1,849,471	949,890
Installment notes payable	37,878,032	59,057,000	4,715,471	92,219,561	5,383,419
Less deferred amounts on refunding of bonds	(4,524,981)	-	-	(4,524,981)	-
Bond premium on refunding	4,252,513	-	-	4,252,513	-
Accumulated amortization of refunding items	(801,290)	-	(542,966)	(258,324)	-
Accrued compensated absences	3,037,850	-	392,809	2,645,041	1,637,016
Separation allowance	524,815	-	10,014	514,801	-
Total governmental activities	<u>\$ 191,307,895</u>	<u>\$ 59,057,000</u>	<u>\$ 14,451,813</u>	<u>\$ 235,913,082</u>	<u>\$ 16,895,325</u>
Business-type activities:					
Obligations under capital leases	\$ 1,233,830	\$ 842,038	\$ 399,695	\$ 1,676,173	\$ 533,066
Installment notes payable	6,570,860	-	557,318	6,013,542	594,450
Post closing liability	4,814,885	123,999	30	4,938,854	-
Accrued compensated absences	173,310	37,570	-	210,880	129,796
Total business-type activities	<u>\$ 12,792,885</u>	<u>\$ 1,003,607</u>	<u>\$ 957,043</u>	<u>\$ 12,839,449</u>	<u>\$ 1,257,312</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 5. Long-Term Obligations (Continued)

General long-term debt payable at June 30, 2007 is comprised of the following:

General obligation bonds:

Schools:

\$1,545,000 2000A 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%	\$ 300,000
\$20,625,500 2000B School Building serial bonds due in annual installments of \$1,000,000 to \$4,400,000 through April 1, 2019; interest at 5.2% to 5.3%	3,348,000
\$1,704,000 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%	252,000
\$12,500,000 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%	9,193,257
\$3,170,000 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%	2,349,862
\$1,800,000 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%	1,326,881
\$19,175,000 2003 Public Improvement Bonds due in annual installments of \$650,000 to \$2,200,000 through March 1, 2022; interest at 4.00% to 4.12%	17,225,000
\$4,200,000 2004A Public Improvement Bonds due in annual installments of \$150,000 through February 1, 2023; interest at 3.25% to 4.625%	3,900,000
\$20,940,000 2004B Public Improvement Bonds due in annual installments of \$750,000 through February 1, 2023; interest at 3.25% to 5.2590%	19,440,000
\$29,185,000 2005A Public Improvement Bond due in annual installments of \$1,000,000 through April 1, 2024; interest at 3% to 5%	28,185,000

Refunding:

\$20,595,000 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%	14,245,000
\$22,815,000 2003 Refunding serial bonds due in annual installments of \$880,000 to \$2,850,000 through June 1, 2013; interest at 3% to 5%	10,850,000
\$29,365,000 2005B 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%	28,600,000
Total general obligation bonds	<u>\$ 139,215,000</u>

Notes to Basic Financial Statements

Note 5. 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	\$ 153,150
Capitalized equipment lease obligation due in semiannual installments of \$19,583 which includes interest at 3.42% through April 20, 2008. Gross amount of equipment acquired under capital lease is \$1,100,6910	379,407
Capitalized equipment lease obligation due in semiannual 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	260,857
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	177,790
Capitalized equipment lease obligation due in semiannual 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	878,267
Total	<u>1,849,471</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	247,999
Capitalized equipment lease obligation due in annual installments of \$80,055 which includes interest at 822% through December 10, 2009. Gross amount of equipment acquired under capital lease is \$665,511	381,593
Capitalized equipment lease obligation due in semiannual 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	242,745
Capitalized equipment lease obligation due in quarterly installments of \$46,187 which includes interest at 3.06% through January 9, 2012. Gross amount of equipment acquired under capital lease is \$632,146	803,836
Total	<u>1,676,173</u>
Total capital lease obligations	<u>\$ 3,525,644</u>

Orange County, North Carolina

Notes to Basic Financial Statements

Note 5. Long-Term Obligations (Continued)

Installment notes payable:

Serviced by governmental funds:

Installment note payable due in semiannual payments of \$480,650 which includes interest at 5.75% based on construction draw through July 1, 2009	\$ 2,098,351
Installment note payable due in semiannual payments which includes interest at 5.05% through July 1, 2008	94,908
Installment note payable due in semiannual payments of \$239,027 which includes interest at 4.92% through February 1, 2006	1,928,898
Installment note payable in semiannual payments of \$424,980 which includes interest at 4.92% through February 1, 2006	3,890,543
Installment note payable due in semiannual payments which includes interest at 4.58% through November 1, 2010	5,460,000
Installment note payable due in annual payments of \$143,490 which includes interest at 3.75% through July 1, 2007 (32.4% governmental)	136,146
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	2,516,379
Installment note payable due in quarterly payments of \$12,251 to \$17,181 which includes interest at 4.17% through October 7, 2012	266,750
Installment note payable due in annual payments of \$745,455 to \$803,636; interest at 4% to 5% through April 1, 2026	15,254,086
Installment note payable due in quarterly payments of \$42,125; interest at 5 % through April 27, 2016	1,516,500
Installment note payable due in annual payments of \$600,000; interest at 4.39 % through December 21, 2021	9,000,000
Installment note payable due in annual payments of \$2,502,850; interest at 4.14 % through January 1, 2027	50,057,000
Total	<u>92,219,561</u>

Serviced by the County's enterprise funds:

Installment note payable due in annual payments of \$299,380, which includes interest at 3.75% through July 1, 2007 (67.6% business-type)	293,087
Installment note payable due in annual payments of \$279,545 to \$301,364; interest at 4% to 5% through April 1, 2026	5,720,455
Total	<u>6,013,542</u>
Total installment notes payable	<u><u>\$ 98,233,103</u></u>

Orange County, North Carolina

Notes to Basic Financial Statements

Note 5. Long-Term Obligations (Continued)

The annual requirements as of June 30, 2007 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:								
2008	\$ 949,890	\$ 57,603	\$ 5,383,419	\$ 2,861,490	\$ 8,925,000	\$ 6,088,671	\$ 15,258,309	\$ 9,007,764
2009	583,046	26,384	7,734,012	3,574,315	8,875,000	5,701,721	17,192,058	9,302,420
2010	260,916	9,322	7,393,670	3,244,877	8,835,000	5,314,283	16,489,586	8,568,482
2011	55,619	1,046	6,984,275	2,942,514	8,880,000	4,900,883	15,919,894	7,844,443
2012	-	-	5,427,282	2,683,601	8,825,000	4,525,696	14,252,282	7,209,297
2013 - 2017	-	-	21,428,955	10,544,738	43,755,000	16,965,838	65,183,955	27,510,576
2018 - 2022	-	-	19,652,260	6,143,254	42,995,000	7,398,095	62,647,260	13,541,349
2023 - 2027	-	-	18,215,688	2,227,685	8,125,000	451,625	26,340,688	2,679,310
Total	\$ 1,849,471	\$ 94,355	\$ 92,219,561	\$ 34,222,474	\$ 139,215,000	\$ 51,346,812	\$ 233,284,032	\$ 85,663,641
Business-type activities:								
2008	\$ 533,066	\$ 52,479	\$ 594,450	\$ 254,400	\$ -	\$ -	\$ 1,127,516	\$ 306,879
2009	536,364	32,696	301,364	242,345	-	-	837,728	275,041
2010	278,729	17,768	301,364	230,291	-	-	580,093	248,059
2011	191,347	9,169	301,364	218,236	-	-	492,711	227,405
2012	136,667	2,323	301,364	206,182	-	-	438,031	208,505
2013 - 2017	-	-	1,506,818	850,091	-	-	1,506,818	850,091
2018 - 2022	-	-	1,506,818	503,523	-	-	1,506,818	503,523
2023 - 2027	-	-	1,200,000	136,500	-	-	1,200,000	136,500
Total	\$ 1,676,173	\$ 114,435	\$ 6,013,542	\$ 2,641,568	\$ -	\$ -	\$ 7,689,715	\$ 2,756,003

Interest requirements for the general obligation bonds are payable semiannually 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, 2007, such statutory limit for the County was approximately \$986 million, providing a legal debt margin of approximately \$745 million.

The ABC Board has no long-term debt as of June 30, 2007.

Bonds authorized but unissued at June 30, 2007 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 by letters of credit and are payable solely from payments received from the private business 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, 2007, there is no balance outstanding.

Notes to Basic Financial Statements

Note 6. 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, 2007, future minimum rental payments due under the capital leases are as follow:

Total minimum lease payments	\$ 3,734,434
Less amount representing interest	208,790
Present value of minimum lease payments	<u>\$ 3,525,644</u>

The total rental paid for all operating leases was \$533,009 for the year ended June 30, 2007. All operating leases are for terms of one year or less and consist principally of office space rentals for various County functions.

2. School Facilities

For fiscal year 2006-2007, the Board of Commissioners did not adopt a long-range capital improvement plan for School Facilities. However, the Board did officially commit to funding school projects totaling \$33.8 million in fiscal year 2007-2008. The projects consist of new school facilities and repair and renovation to existing facilities. Funding for the facilities will be provided by a combination of pay-as-you-go funds and proceeds from an installment purchase agreement.

3. County Facilities

For fiscal year 2006-2007, the Board of County Commissioners did not adopt a long-range capital improvement plan for County Facilities. However, the Board did officially commit to funding County projects totaling \$23.6 million in fiscal year 2007-2008. The projects consist of additions and renovations to existing facilities as well as several new facilities. Funding for the facilities will be provided by a combination of pay-as-you-go funds and proceeds from an installment purchase agreement.

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, 2007, 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. No provision has been made in the accompanying financial statements for the refund of grant moneys.

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.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 7. Interfund Balances and Activities

The following is a schedule of interfund receivable and payable balances as of June 30, 2007:

	Primary Government
For Primary Government:	
Due to:	
Governmental Funds, net from other funds	\$ 136,000
Capital Project Fund:	
County Capital Project from other fund	66,983
	\$ 202,983
Due from:	
Enterprise Fund:	
Efland Sewer Fund	\$ 202,983
	\$ 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, 2007:

Transfers to	Transfers From						Total
	Special Revenue Funds			Capital Projects Funds			
	General Fund	Community Development Fund	Impact Fee Fund	Emergency Telephone Fund	County Capital Improvements Fund	School Capital Improvements Fund	
General Fund	\$ -	\$ 13,545	\$ 2,570,000	\$ -	\$ 300,000	\$ 800,000	\$ 3,683,545
Special Revenue Funds:							
Property Revaluation	50,000	-	-	-	-	-	50,000
Grant Funds	92,161	-	-	-	-	-	92,161
Grant Projects	-	-	-	338,290	-	-	338,290
Community Development Fund	188,360	313,697	-	-	-	-	502,057
Capital Projects:							
County Capital Improvements Fund	2,970,374	-	-	-	-	-	2,970,374
School Capital Improvements Fund	4,155,562	-	-	-	-	-	4,155,562
Enterprise Fund:							
Efland Sewer Fund	106,800	-	-	-	-	-	106,800
SportsPlex Fund	700,000	-	-	-	-	-	700,000
Total	\$ 8,263,257	\$ 327,242	\$ 2,570,000	\$ 338,290	\$ 300,000	\$ 800,000	\$ 12,598,789

All transfers resulted from the need to supplement funding sources.

Notes to Basic Financial Statements

Note 8. 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 LGERS. 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 195% 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, 2005, 2006 and 2007 were \$1,580,053, \$1,738,369 and \$1,749,379, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2005, 2006 and 2007 were \$54,245, \$57,514 and \$51,894, 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, 2006, the Separation Allowance's membership consisted of:

Retirees receiving benefits	12
Active plan members	82
Total	94

Notes to Basic Financial Statements

Note 8. Employee Retirement Systems (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	\$ 148,779
Interest on net pension obligation	38,049
Adjustment to annual required contribution	<u>(31,407)</u>
Annual pension cost	155,421
Contributions made	<u>165,435</u>
Increase in net pension obligation	(10,014)
Net pension obligation, beginning of year	<u>524,815</u>
Net pension obligation, end of year	<u><u>\$ 514,801</u></u>

Fiscal Year Ended	Three-Year Trend Information		
	Annual Pension Cost ("APC")	Percentage of APC Contribution	Net Pension Obligation
June 30, 2005	\$ 156,781	95.38%	\$ 522,897
June 30, 2006	135,674	98.59%	524,815
June 30, 2007	155,421	106.44%	514,801

Notes to Basic Financial Statements

Note 8. 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 requires the County to contribute each month an amount equal to 4.72% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2007 were \$252,892, which consisted of \$188,812 from the County and \$64,080 from the law enforcement officers.

5. Registers of Deeds' Supplemental Pension Fund

Plan description. The 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 Governmental 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, 2007, the County's required and actual contributions were \$35,670.

6. Other Post-Employment Benefits for County Employees that Participated in the North Carolina Local Governmental 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 Governmental 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, 178 retirees are eligible for health benefits. For the fiscal year ended June 30, 2007, the County made payments for health benefit premiums of \$841,111. The County obtains health care coverage through private insurers.

Notes to Basic Financial Statements

Note 8. Employee Retirement Systems (Continued)

7. Other Employment Benefits for County Employees that Participated in the North Carolina Local Governmental Employee's Retirement System

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. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial.

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, 2007, the County made contributions to the State for death benefits of \$30,999. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

8. Other Post-Employment Benefits for County Employees that Participated in the Teachers' and State Employee's 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.

Notes to Basic Financial Statements

Note 8. Employee Retirement Systems (Continued)

9. Other Employment Benefits for County Employees that Participated in the Teachers' and State Employee's Retirement System

Death benefits are provided through the Death Benefit Plan for Members of the Teachers' and State Employees' Retirement System ("Death Benefit Plan"), a State-administered plan funded on a one-year term cost basis. Lump-sum death benefits are provided to employees (1) who die in active service after one year of contributing membership service in the System, or (2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

System at the time of death: 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.

Note 9. 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 \$4,938,854 reported as landfill closure and postclosure care liability in the Solid Waste Fund at June 30, 2007, 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 2010 fiscal year. The total estimated cost of closure and postclosure care is approximately \$4,940,000. 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.

Notes to Basic Financial Statements

Note 9. 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 2007, 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.

Note 10. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage 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, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation. For health and dental insurance, the County is reinsured through the Pool for individual losses in excess of \$50,000 and aggregate annual losses in excess of 115% of expected claims. The pool is reinsured through commercial carrier for individual losses in excess of \$100,000.

In accordance with G.S. 159-29, The County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$250,000 and \$30,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County carries commercial coverage for all other risks of loss. 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.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 10. Risk Management (Continued)

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 2007, a total of \$342,350 was incurred for benefits and administrative costs.

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

	Year Ended June 30,	
	2007	2006
Unpaid claims, beginning of the year	\$ 49,204	\$ 55,889
Incurred claims	322,962	288,536
Claim payments	(348,467)	(295,221)
Unpaid claims, end of year	<u>\$ 23,699</u>	<u>\$ 49,204</u>

Note 11. 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.

Note 12. Joint Ventures

Hyconeechee Regional Library: Public library services with Orange County are provided by a tricounty 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

Note 12. 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 tricounty 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, 2007, the County contributed \$1,367,146 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, 2007. Complete financial statements for the Authority can be obtained from the Authority's offices at 100 Europa Drive, Suite 490, Chapel Hill, North Carolina 27517.

Note 13. 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 list 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, 2007 was \$67,846 and \$66,644.

Note 14. Public School Building Capital Fund

This program is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State, as well as up to a portion of the total proceeds from the North Carolina Education Lottery as described below. The Office of State Budget and Management establishes and maintains an ADM allocation account for the County for these funds.

Corporate income tax funds are allocated to Orange County, on the basis of the average daily membership (ADM) for Orange County Board of Education as determined and certified by the State Board of Education. This allocation is computed as the amount equal to five sixty-ninths ($5/69$) of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund. At June 30, 2007, the balance of the County's ADM allocation account related to corporate income taxes was \$7,467. The County must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a County match. After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At June 30, 2007, the County's disbursing account did not have any funds.

Funds in the allocation and disbursing accounts are considered State moneys until the County issues warrants to disburse them. At that time, they are recognized in the County's General Fund as intergovernmental revenue. During the fiscal year ended June 30, 2007, the County drew down \$1,416,062 and \$2,115,175 of public school building capital funds and lottery proceeds, respectively.

Notes to Basic Financial Statements

Note 14. Public School Building Capital Fund (Continued)

Of the 35% of the proceeds of the North Carolina Education Lottery sales designated for education, approximately 40% is designated for school construction, broken down as follows: 65% allocated to counties based on the ADM of school districts and 35% allocated to counties which have a property tax rate above the state average (numerical average of all one hundred counties), which Orange did not exceed for the year ending June 30, 2007. As of June 30, 2007, the County had submitted a proposal to the State to use the lottery proceeds to pay down debt services payments for debt incurred on or after January 1, 2003 and the unused balance of the County's allocation of lottery proceeds was \$11,823.

Note 15. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2007 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statement of the County.

- GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition and display of expenses/expenditures and related liabilities (assets), note disclosures and if applicable, required supplementary information in the financial reports of state and local government employers on other post employment benefits ("OPEB"). The County is required to adopt this statement beginning in fiscal year 2008.
- GASB Statement 47, *Accounting for Termination Benefits*. This statement requires financial statement prepared on the accrual basis of accounting to recognize a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. A liability and expense for involuntary termination benefits should be recognized when a plan of termination has been approved by those with the authority to commit the entity to the plan, the plan has been communicated to employees, and the amount can be estimated. The County is required to adopt the OPEB portions of this statement the same time it adopts GASB Statement 45 mentioned above.
- GASB Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving *receivables* should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity.

Notes to Basic Financial Statements

Note 15. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. Therefore, any assets (or future revenues) sold or donated within the same financial reporting entity should continue to be reported at their current carrying value when those assets or future revenues are transferred.

This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The disclosures pertaining to future revenues that have been pledged or sold are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

- GASB Statement 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for OPEB Plans*, and No. 45, *Accounting and Financial Reporting by Employers for OPEB*.
- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated and establishes criteria for when such expenditures should be capitalized. This Statement is effective for periods beginning after June 15, 2009 (the County’s fiscal year ended June 30, 2010) and generally requires its provisions to be applied retroactively.

Orange County, North Carolina

Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued 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)
12/31/1997	\$ -	\$ 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%
12/31/2006	-	1,427,990	1,427,990	0.00%	3,721,937	38.37%

Orange County, North Carolina

Required Supplementary Information

Law Enforcement Officers' Special Separation Allowance
Schedule of Employer Contributions

Year Ended June 30,	Annual Contributions Required	Percentage Contributed
2007	\$ 148,779	106.44%
2006	127,796	98.59%
2005	148,323	95.38%
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%

Note to the Required Schedules

The information presented in the required 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, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 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, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Property taxes:				
Property tax	\$ 109,580,722	\$ 111,022,045	\$ 1,441,323	\$ 100,158,918
Tax penalties and interest	365,000	420,811	55,811	383,141
Gross receipts tax	40,000	42,942	2,942	43,128
Total property taxes	109,985,722	111,485,798	1,500,076	100,585,187
Sales tax:				
Local option sales tax	20,806,210	22,192,866	1,386,656	21,176,362
Total sales tax	20,806,210	22,192,866	1,386,656	21,176,362
Intergovernmental revenues:				
Refunds, gasoline tax	-	18,956	18,956	6,242
Animal tax	185,780	187,517	1,737	-
Beer and wine tax	215,000	209,362	(5,638)	207,247
Federal and State grants	15,643,752	15,725,326	81,574	14,545,034
Local grants	558,099	529,432	(28,667)	579,060
Lottery proceeds	2,414,045	2,115,175	(298,870)	-
ABC Board Law enforcement distribution	120,000	82,125	(37,875)	56,102
ABC Board Profit distribution	400,000	490,669	90,669	438,640
Total intergovernmental revenues	19,536,676	19,358,562	(178,114)	15,832,325
Charges for services:				
Register of deeds	1,856,328	1,795,134	(61,194)	1,837,820
Land records fees	11,000	9,056	(1,944)	10,510
Collection fees	125,000	144,531	19,531	133,203
Inspection fees	675,400	668,489	(6,911)	-
Health service fees	1,045,565	1,008,257	(37,308)	1,076,674
Health permits	503,205	435,743	(67,462)	377,696
Recreation fees	175,000	189,804	14,804	156,122
Planning fees	360,000	283,504	(76,496)	1,095,027
Human service charges	2,000	2,330	330	2,135
Aging fees	291,448	282,182	(9,266)	274,674
EMS fees	1,568,000	1,891,164	323,164	1,778,456
Sheriff and court charges	2,416,347	3,110,937	694,590	2,658,145
Information system charges	152,949	147,646	(5,303)	158,607
Other charges	66,902	60,785	(6,117)	152,238
Total charges for services	9,249,144	10,029,562	780,418	9,711,307

(Continued)

Orange County, North Carolina

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Investment earnings	\$ 1,000,000	\$ 1,803,382	\$ 803,382	\$ 1,209,164
Licenses and permits:				
Privilege licenses	10,000	12,580	2,580	12,266
Franchise fees	260,000	319,965	59,965	256,305
Total licenses and permits	270,000	332,545	62,545	268,571
Miscellaneous revenues:				
Donations	66,302	47,642	(18,660)	71,473
Rent	191,545	190,869	(676)	190,709
Other	389,933	417,504	27,571	448,281
Total other revenues	647,780	656,015	8,235	710,463
Total revenues	161,495,532	165,858,730	4,363,198	149,493,379
Expenditures				
Governing and management:				
County Commissioners	525,530	501,227	24,303	482,872
County manager	995,413	974,070	21,343	951,383
Animal services	1,664,125	1,558,943	105,182	1,323,344
Budget	274,632	270,480	4,152	250,154
Personnel	794,304	731,951	62,353	676,685
Finance	457,909	448,710	9,199	425,163
Purchasing	324,406	309,307	15,099	252,179
Central services	2,062,783	1,803,001	259,782	1,664,709
Nondepartmental	2,119,513	1,167,496	952,017	1,034,121
Total governing and management	9,218,615	7,765,185	1,453,430	7,060,610
General services:				
Information systems	1,118,615	980,070	138,545	819,782
Register of deeds	1,017,317	940,243	77,074	928,374
Land records	505,940	489,455	16,485	473,107
Assessor	885,670	847,334	38,336	803,361
Elections	429,123	405,537	23,586	420,474
Tax collector	877,346	844,930	32,416	796,184
Buildings and grounds	3,084,443	2,919,017	165,426	2,857,087
Motor pool	368,293	435,351	(67,058)	377,779
Sanitation	1,843,401	1,747,928	95,473	1,734,652
Total general services	10,130,148	9,609,865	520,283	9,210,800

(Continued)

Orange County, North Carolina

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Community and environment:				
Planning	\$ 2,542,076	\$ 2,474,523	\$ 67,553	\$ 2,314,603
Environmental resource conservation	626,973	572,213	54,760	458,359
Economic development	424,309	412,607	11,702	381,992
Soil and water conservation	280,393	279,889	504	263,706
Nondepartmental	297,582	81,319	216,263	-
Total community and environment	4,171,333	3,820,551	350,782	3,418,660
Human services:				
Social services	21,285,103	20,153,844	1,131,259	18,576,069
Health	8,015,374	7,596,495	418,879	7,358,006
Cooperative extension	501,154	482,370	18,784	457,965
Aging	2,517,952	2,482,527	35,425	2,297,297
Human rights and relations	519,372	294,497	224,875	329,327
Child support enforcement	873,821	833,086	40,735	780,284
Mental health	16,512	16,145	367	82,514
Nondepartmental	1,938,047	1,906,356	31,691	2,598,645
Total human services	35,667,335	33,765,320	1,902,015	32,480,107
Education:				
Current expense	53,793,744	53,793,744	-	49,981,296
Capital outlay	2,400,000	2,400,000	-	2,290,258
Nondepartmental	800,000	800,000	-	-
Total education	56,993,744	56,993,744	-	52,271,554
Public safety:				
Sheriff	8,976,405	8,746,608	229,797	8,325,777
Emergency services	5,822,904	5,778,792	44,112	5,484,249
Courts	172,236	140,416	31,820	134,183
Nondepartmental	495,747	394,048	101,699	-
Total public safety	15,467,292	15,059,864	407,428	13,944,209
Culture and recreation:				
Recreation and parks	1,915,746	1,789,549	126,197	1,416,109
Library services	1,379,014	1,367,351	11,663	1,028,023
Total culture and recreation	3,294,760	3,156,900	137,860	2,444,132

(Continued)

Orange County, North Carolina

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Debt service:				
Principal on bonds:				
School bond	\$ 7,315,660	\$ 7,315,667	\$ (7)	\$ 6,702,718
County bond	1,394,308	1,644,333	(250,025)	1,813,221
Private placement:				
Schools	3,682,859	3,899,802	(216,943)	3,248,456
County	2,154,902	1,693,377	461,525	1,343,748
	<u>14,547,729</u>	<u>14,553,179</u>	<u>(5,450)</u>	<u>13,108,143</u>
Interest and fees:				
School bond interest	5,075,727	5,169,744	(94,017)	4,423,684
County bond interest	1,212,661	1,307,652	(94,991)	1,293,413
Private placement interest	1,525,322	1,133,235	392,087	853,193
County private placement interest	1,017,804	503,487	514,317	188,275
	<u>8,831,514</u>	<u>8,114,118</u>	<u>717,396</u>	<u>6,758,565</u>
Total debt service	<u>23,379,243</u>	<u>22,667,297</u>	<u>711,946</u>	<u>19,866,708</u>
Total expenditures	<u>158,322,470</u>	<u>152,838,726</u>	<u>5,483,744</u>	<u>140,696,780</u>
Excess of revenues over expenditures	<u>3,173,062</u>	<u>13,020,004</u>	<u>9,846,942</u>	<u>8,796,599</u>
Other financing sources (uses)				
Transfers in	3,683,545	3,683,545	-	2,870,000
Transfers out	(8,263,257)	(8,263,257)	-	(8,424,226)
Appropriated fund balance	1,406,650	-	(1,406,650)	-
Total other financing uses	<u>(3,173,062)</u>	<u>(4,579,712)</u>	<u>(1,406,650)</u>	<u>(5,554,226)</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>8,440,292</u>	<u>\$ 8,440,292</u>	<u>3,242,373</u>
Fund balance, beginning of year		24,371,318		21,160,730
(Increase) decrease in reserve for inventory		70		(31,785)
Fund balance, end of year		<u>\$ 32,811,680</u>		<u>\$ 24,371,318</u>

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Major Funds

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, 2007

	Authorizations		
	Total July 1, 2006	Current Year Increase (Decrease)	Total June 30, 2007
Revenues			
State grants	\$ 6,422,105	\$ 1,146,308	\$ 7,568,413
Investment earnings	-	1,000	1,000
Other	1,000	(54,112)	(53,112)
Total revenues	<u>6,423,105</u>	<u>1,093,196</u>	<u>7,516,301</u>
Expenditures			
Buildings	4,594,262	20,698,530	25,292,792
Improvements	25,712,546	(1,680,951)	24,031,595
Equipment	6,955,719	1,371,526	8,327,245
Parks and open spaces	26,195,716	7,775,511	33,971,227
Other	12,006,055	(1,513,309)	10,492,746
Debt service:			
Principal	365,276	-	365,276
Interest	-	-	-
Total expenditures	<u>75,829,574</u>	<u>26,651,307</u>	<u>102,480,881</u>
Deficiency of revenues over expenditures	<u>(69,406,469)</u>	<u>(25,558,111)</u>	<u>(94,964,580)</u>
Other financing sources (uses)			
Bonds issuance	37,102,004	437,000	37,539,004
Refunding issuance	-	-	-
Refunding issue costs	-	-	-
Payments to escrow agent, refunding	-	-	-
Installment loan issuance	16,113,307	21,940,000	38,053,307
Capital lease issuance	-	-	-
Transfers in	20,040,657	179,444	20,220,101
Transfers out	(3,974,599)	3,001,667	(972,932)
Appropriated fund balance	125,100	-	125,100
Total other financing sources	<u>69,406,469</u>	<u>25,558,111</u>	<u>94,964,580</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			
Fund balance, end of year			

Actual

Reported in Prior Years	Closed-Out Projects	Current Year	Total to Date
\$ 3,767,158	\$ -	\$ 325,846	\$ 4,093,004
2,618,847	-	1,157,703	3,776,550
631,366	-	6,968	638,334
7,017,371	-	1,490,517	8,507,888
3,936,131	3,320,000	4,912,938	5,529,069
8,441,971	-	2,168,975	10,610,946
4,871,314	-	1,785,398	6,656,712
15,179,245	-	364,998	15,544,243
6,986,395	1,000	1,571,029	8,556,424
712,801	-	34,828	747,629
3,888	-	-	3,888
40,131,745	3,321,000	10,838,166	47,648,911
(33,114,374)	(3,321,000)	(9,347,649)	(39,141,023)
36,938,500	3,221,000	-	33,717,500
4,143,402	4,143,402	-	-
(223,402)	(223,402)	-	-
(3,920,000)	(3,920,000)	-	-
14,498,632	-	23,256,000	37,754,632
1,234,705	-	-	1,234,705
13,729,172	100,000	2,970,374	16,599,546
(3,154,194)	-	(300,000)	(3,454,194)
-	-	-	-
63,246,815	3,321,000	25,926,374	85,852,189
\$ 30,132,441	\$ -	16,578,725	\$ 46,711,166
		30,132,441	
		\$ 46,711,166	

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, 2007

	Authorizations		
	Total July 1, 2006	Current Year Increase (Decrease)	Total June 30, 2007
Revenues			
State grants	\$ 7,568,867	\$ 500,000	\$ 8,068,867
Investment earnings	2,425,887	-	2,425,887
Sales tax	-	1,100,000	1,100,000
Other	-	4,576,941	4,576,941
Total revenues	9,994,754	6,176,941	16,171,695
Expenditures			
Orange County School Projects	84,795,434	904,665	85,700,099
Chapel Hill School Projects	113,984,999	32,431,038	146,416,037
Bond issuance costs	-	-	-
Other	-	3,150,602	3,150,602
Total expenditures	198,780,433	36,486,305	235,266,738
Deficiency of revenues over expenditures	(188,785,679)	(30,309,364)	(219,095,043)
Other financing sources (uses)			
Bonds issuance	104,554,051	-	104,554,051
Refunding issuance	-	-	-
Bond premium on refunding	-	-	-
Payments to escrow agent, refunding	-	-	-
Installment loan issuance	31,341,148	27,974,065	59,315,213
Transfers in	54,953,837	400,412	55,354,249
Transfers out	(2,559,887)	1,934,887	(625,000)
Appropriated fund balance	496,530	-	496,530
Total other financing sources	188,785,679	30,309,364	219,095,043
Excess of revenues and other financing sources over expenditures and other uses	\$ -	\$ -	\$ -

Fund balance, beginning of year

Fund balance, end of year

Actual

Reported in Prior Years	Closed-Out Projects	Current Year	Total to Date
\$ 6,699,670	\$ -	\$ -	\$ 6,699,670
1,968,976	-	206,754	2,175,730
-	-	444,096	444,096
2,961,124	21,089	199,999	3,140,034
<u>11,629,770</u>	<u>21,089</u>	<u>850,849</u>	<u>12,459,530</u>
80,882,003	-	377,556	81,259,559
92,859,472	-	26,966,535	119,826,007
447,646	201,165	-	246,481
1,909,861	76,264	819,797	2,653,394
<u>176,098,982</u>	<u>277,429</u>	<u>28,163,888</u>	<u>203,985,441</u>
<u>(164,469,212)</u>	<u>(256,340)</u>	<u>(27,313,039)</u>	<u>(191,525,911)</u>
105,459,039	-	-	105,459,039
68,631,598	68,631,598	-	-
1,545,674	1,545,674	-	-
(69,920,932)	(69,920,932)	-	-
23,266,000	-	35,801,000	59,067,000
46,488,809	-	4,155,562	50,644,371
(643,502)	-	(800,000)	(1,443,502)
-	-	-	-
<u>174,826,686</u>	<u>256,340</u>	<u>39,156,562</u>	<u>213,726,908</u>
<u>\$ 10,357,474</u>	<u>\$ -</u>	<u>11,843,523</u>	<u>\$ 22,200,997</u>
		<u>10,357,474</u>	
		<u>\$ 22,200,997</u>	

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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.

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.

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 multiyear 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 Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Impact Fee	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported	Grant Projects
Assets							
Cash and investments	\$ 1,974,970	\$ 62,697	\$ 2,006	\$ 561,806	\$ 624,408	\$ -	\$ -
Accounts receivable:							
Property taxes, net	-	-	-	-	-	-	-
Federal	-	-	121,345	-	-	-	17,996
State	-	-	34,949	-	-	204,151	153,807
Other	144,899	-	19,248	-	-	66,193	565,202
Total assets	\$ 2,119,869	\$ 62,697	\$ 177,548	\$ 561,806	\$ 624,408	\$ 270,344	\$ 737,005
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 3,000	\$ 3,130	\$ 10,491	-	1,677	\$ 113,535	\$ 25,139
Payroll withholdings	-	1,143	365	-	7,461	6,073	-
Due to other funds	-	-	-	-	-	147,684	353,893
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	3,000	4,273	10,856	-	9,138	267,292	379,032
Fund balances:							
Reserved for encumbrances	-	-	-	-	414	-	-
Reserve for State statute	144,899	-	175,542	-	-	270,344	737,005
Unreserved:							
Designated for subsequent year's expenditures	-	12,949	-	-	-	-	-
Undesignated	1,971,970	45,475	(8,850)	561,806	614,856	(267,292)	(379,032)
Total fund balances	2,116,869	58,424	166,692	561,806	615,270	3,052	357,973
Total liabilities and fund balances	\$ 2,119,869	\$ 62,697	\$ 177,548	\$ 561,806	\$ 624,408	\$ 270,344	\$ 737,005

Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Heusner	Library Development	Adoption Enhancement	Recreation Subdivision	Total Nonmajor Governmental Funds
\$ 1,178,786	\$ 405,067	\$ 351,477	\$ 8,715	\$ 126,321	\$ 104,466	\$ 1,170,189	\$ 6,570,908
-	-	58,642	-	-	-	-	58,642
-	-	-	-	-	-	-	139,341
33,117	-	-	-	-	-	-	426,024
38,551	129,931	-	-	-	-	-	964,024
<u>\$ 1,250,454</u>	<u>\$ 534,998</u>	<u>\$ 410,119</u>	<u>\$ 8,715</u>	<u>\$ 126,321</u>	<u>\$ 104,466</u>	<u>\$ 1,170,189</u>	<u>\$ 8,158,939</u>
\$ 3,753	\$ 4,782	\$ -	\$ -	\$ -	\$ 3,085	\$ -	\$ 168,592
2,364	5,723	-	-	-	-	-	23,129
-	-	-	-	-	-	-	501,577
-	-	58,642	-	-	-	-	58,642
<u>6,117</u>	<u>10,505</u>	<u>58,642</u>	<u>-</u>	<u>-</u>	<u>3,085</u>	<u>-</u>	<u>751,940</u>
80,953	4,237	-	-	-	65	-	85,669
71,668	129,931	-	-	-	-	-	1,529,389
106,026	220,863	60,420	-	-	-	-	400,258
985,690	169,462	291,057	8,715	126,321	101,316	1,170,189	5,391,683
<u>1,244,337</u>	<u>524,493</u>	<u>351,477</u>	<u>8,715</u>	<u>126,321</u>	<u>101,381</u>	<u>1,170,189</u>	<u>7,406,999</u>
<u>\$ 1,250,454</u>	<u>\$ 534,998</u>	<u>\$ 410,119</u>	<u>\$ 8,715</u>	<u>\$ 126,321</u>	<u>\$ 104,466</u>	<u>\$ 1,170,189</u>	<u>\$ 8,158,939</u>

Orange County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

	Impact Fee	Property Revaluation	Community Development	School Capital Reserve	Section 8 Housing	Grant Supported	Grant Projects
Revenues							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	846,470	-	4,467,308	552,769	1,580,402
Charges for services	-	-	-	-	-	42,544	-
Investment earnings	154,924	2,510	-	23,530	21,051	-	-
Impact fees	2,020,400	-	-	-	-	-	-
Miscellaneous	-	-	42,617	-	-	-	-
Total revenues	2,175,324	2,510	889,087	23,530	4,488,359	595,313	1,580,402
Expenditures							
Current:							
General services	-	-	987,311	-	-	-	156
Community and environment	-	98,646	-	-	4,183,980	693,170	16,828
Human services	-	-	-	-	-	-	18,581
Public safety	-	-	-	-	-	-	1,564,960
Total expenditures	-	98,646	987,311	-	4,183,980	693,170	1,600,525
Excess (deficiency) of revenues over (under) expenditures	2,175,324	(96,136)	(98,224)	23,530	304,379	(97,857)	(20,123)
Other financing sources (uses)							
Transfers in	-	50,000	502,057	-	-	92,161	338,290
Transfers out	(2,570,000)	-	(327,242)	-	-	-	-
Total other financing sources (uses)	(2,570,000)	50,000	174,815	-	-	92,161	338,290
Net change in fund balances	(394,676)	(46,136)	76,591	23,530	304,379	(5,696)	318,167
Fund balances, beginning	2,511,545	104,560	90,101	538,276	310,891	8,748	39,806
Fund balances, ending	\$ 2,116,869	\$ 58,424	\$ 166,692	\$ 561,806	\$ 615,270	\$ 3,052	\$ 357,973

Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Heusner	Library Development	Adoption Enhancement	Recreation Subdivision	Total Nonmajor Governmental Funds
\$ -	\$ 664,903	\$ 2,666,340	\$ -	\$ -	\$ -	\$ -	\$ 3,331,243
240,060	-	-	-	-	-	-	7,687,009
440,244	-	-	-	-	48,576	-	531,364
60,623	18,889	15,102	365	4,981	4,884	48,576	355,435
-	-	-	-	-	-	-	2,020,400
-	56,606	-	-	-	-	32,545	131,768
<u>740,927</u>	<u>740,398</u>	<u>2,681,442</u>	<u>365</u>	<u>4,981</u>	<u>53,460</u>	<u>81,121</u>	<u>14,057,219</u>
-	-	-	-	-	-	-	987,467
-	719,901	-	-	-	-	-	5,712,525
-	-	-	-	-	64,985	-	83,566
513,257	-	2,648,127	-	-	-	-	4,726,344
<u>513,257</u>	<u>719,901</u>	<u>2,648,127</u>	<u>-</u>	<u>-</u>	<u>64,985</u>	<u>-</u>	<u>11,509,902</u>
227,670	20,497	33,315	365	4,981	(11,525)	81,121	2,547,317
-	-	-	-	-	-	-	982,508
(338,290)	-	-	-	-	-	-	(3,235,532)
(338,290)	-	-	-	-	-	-	(2,253,024)
(110,620)	20,497	33,315	365	4,981	(11,525)	81,121	294,293
1,354,957	503,996	318,162	8,350	121,340	112,906	1,089,068	7,112,706
<u>\$ 1,244,337</u>	<u>\$ 524,493</u>	<u>\$ 351,477</u>	<u>\$ 8,715</u>	<u>\$ 126,321</u>	<u>\$ 101,381</u>	<u>\$ 1,170,189</u>	<u>\$ 7,406,999</u>

Orange County, North Carolina

Impact Fee Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Fees, Orange County Schools	\$ 970,000	\$ 1,372,354	\$ 402,354	\$ 873,017
Fees, Chapel Hill, Carrboro Schools	1,600,000	648,046	(951,954)	991,880
Total impact fees	2,570,000	2,020,400	(549,600)	1,864,897
Investment earnings, Orange County Schools	-	64,974	64,974	44,395
Investment earnings, Chapel Hill, Carrboro Schools	-	89,950	89,950	103,193
Total investment earnings	-	154,924	154,924	147,588
Total revenues	2,570,000	2,175,324	(394,676)	2,012,485
Other financing uses				
Transfer out	(2,570,000)	(2,570,000)	-	(2,570,000)
Deficiency of revenues over other uses	\$ -	(394,676)	\$ (394,676)	(557,515)
Fund balance, beginning of year		2,511,545		3,069,060
Fund balance, end of year		\$ 2,116,869		\$ 2,511,545

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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Investment earnings	\$ -	\$ 2,510	\$ 2,510	\$ 3,043
Expenditures				
Community and environment:				
Property revaluation:				
Personal services	76,911	70,576	6,335	65,612
Operations	57,670	28,070	29,600	10,825
Total expenditures	134,581	98,646	35,935	76,437
Deficiency of revenues over expenditures	(134,581)	(96,136)	38,445	(73,394)
Other financing sources				
Transfers in	50,000	50,000	-	50,000
Appropriated fund balance	84,581	-	(84,581)	-
Total other financing sources	134,581	50,000	(84,581)	50,000
Deficiency of revenues and other financing sources over expenditures	\$ -	(46,136)	\$ (46,136)	(23,394)
Fund balance, beginning of year		104,560		127,954
Fund balance, end of year		<u>\$ 58,424</u>		<u>\$ 104,560</u>

Orange County, North Carolina

Special Revenue - Community Development Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	Budget to Date	Actual		
		Reported in Prior Years	Current Year	Total to Date
Revenues				
HUD Grants	\$ 7,532,857	\$ 4,068,427	\$ 679,241	\$ 4,747,668
CDBG grants:				
Richmond Hills	250,000	250,000	-	250,000
Scattered Site	800,000	579,086	160,604	739,690
HOME partnership	803,600	803,600	-	803,600
IDA	95,000	31,000	6,625	37,625
Investment earnings	1,000	7,561	-	7,561
Program income, HOME	-	570,223	42,617	612,840
Other	159,830	137,111	-	137,111
Total revenues	9,642,287	6,447,008	889,087	7,336,095
Expenditures				
General services:				
Administration	1,487,460	937,556	269,771	1,207,327
Administration, Richmond Hills	250,000	250,000	-	250,000
Administration, Scattered Site	80,000	78,430	-	78,430
Administration, IDA	170,000	60,900	21,000	81,900
Rehabilitation	4,617,899	3,321,910	335,715	3,657,625
Rehabilitation, HOME partnership	453,600	459,133	-	459,133
Rehabilitation, Scattered Site	720,000	525,472	175,563	701,035
Affordable housing, Impact fee reimbursement	3,562,674	2,379,467	185,262	2,564,729
Affordable housing, HOME partnership	150,000	143,500	-	143,500
Public facilities improvement, HOME partnership	200,000	197,098	-	197,098
Total expenditures	11,691,633	8,353,466	987,311	9,340,777
Deficiency of revenues over expenditures	(2,049,346)	(1,906,458)	(98,224)	(2,004,682)
Other financing sources (uses)				
Transfers in	2,842,767	2,266,093	502,057	2,768,150
Transfers out	(807,387)	(269,534)	(327,242)	(596,776)
Appropriated fund balance	13,966	-	-	-
Total other financing sources	2,049,346	1,996,559	174,815	2,171,374
Excess of revenues and other financing sources over expenditures	\$ -	\$ 90,101	76,591	\$ 166,692
Fund balance, beginning of year			90,101	
Fund balance, end of year			<u>\$ 166,692</u>	

Orange County, North Carolina

Special Revenue - School Capital Reserve Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Investment earnings	\$ -	\$ 23,530	\$ 23,530	\$ 19,131
Excess of revenues over expenditures	<u>\$ -</u>	<u>23,530</u>	<u>\$ 23,530</u>	19,131
Fund balance, beginning of year		<u>538,276</u>		<u>519,145</u>
Fund balance, end of year		<u>\$ 561,806</u>		<u>\$ 538,276</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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Federal grants:				
Housing vouchers	\$ 4,534,982	\$ 4,467,308	\$ (67,674)	\$ 4,493,270
Investment earnings	-	21,051	21,051	6,648
Total revenues	<u>4,534,982</u>	<u>4,488,359</u>	<u>(46,623)</u>	<u>4,499,918</u>
Expenditures				
Community and environment:				
Housing vouchers:				
Administration	371,138	357,129	14,009	357,327
Assistance payments	4,164,334	3,826,851	337,483	3,910,334
Total expenditures	<u>4,535,472</u>	<u>4,183,980</u>	<u>351,492</u>	<u>4,267,661</u>
Excess of revenues over expenditures	<u>(490)</u>	<u>304,379</u>	<u>304,869</u>	<u>232,257</u>
Other financing sources				
Appropriated fund balance	490	-	(490)	-
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>304,379</u>	<u>\$ 304,379</u>	<u>232,257</u>
Fund balance, beginning of year		<u>310,891</u>		<u>78,634</u>
Fund balance, end of year		<u>\$ 615,270</u>		<u>\$ 310,891</u>

Orange County, North Carolina

Special Revenue - Grant Supported Projects Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Health Grants	\$ 343,567	\$ 298,537	\$ (45,030)	\$ 273,534
Aging	35,950	41,167	5,217	40,690
Sheriff	230,938	213,065	(17,873)	232,594
Charges for services	44,999	42,544	(2,455)	43,571
Total revenues	655,454	595,313	(60,141)	590,389
Expenditures				
Health:				
Personal services	288,841	261,513	27,328	234,712
Operating	38,289	35,939	2,350	47,915
Aging:				
Personal services	123,885	124,442	(557)	117,253
Operating	55,831	47,290	8,541	57,268
EMS:				
Personal services	52,719	30,112	22,607	50,575
Operating	189,719	193,874	(4,155)	185,817
Total expenditures	749,284	693,170	56,114	693,540
Deficiency of revenues over expenditures	(93,830)	(97,857)	(4,027)	(103,151)
Other financing sources				
Transfers in	92,161	92,161	-	82,994
Appropriated fund balance	1,669	-	(1,669)	-
Total other financing sources	93,830	92,161	(1,669)	82,994
Deficiency of revenues and other financing sources over expenditures	\$ -	(5,696)	\$ (5,696)	(20,157)
Fund balance, beginning of year		8,748		28,905
Fund balance, end of year		<u>\$ 3,052</u>		<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
 Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	Budget to Date	Actual			
		Reported in Prior Year	Closed Projects	Current Year	Total to Date
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	521,913	-	-	521,913
Emergency management grants	1,537,272	410,643	-	995,673	1,406,316
Sheriff	3,685,853	2,877,350	1,605,068	508,429	1,780,711
Planning	346,820	134,185	-	76,300	210,485
Library	15,113	14,971	-	-	14,971
Total revenues	9,169,832	6,210,058	1,605,068	1,580,402	6,185,392
Expenditures					
Community and environment:					
Personal services	58,182	-	-	-	-
Operating	52,320	8,130	-	16,828	24,958
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	22,149	3,438	1,468,106
Operating	742,907	453,412	106	15,143	468,449
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	3,493,434	1,424,501	-	1,159,556	2,584,057
Sheriff:					
Personal services	2,061,391	2,261,214	2,099,042	47,557	209,729
Operating	422,538	79,087	-	357,847	436,934
Planning:					
Personal services	306,777	165,297	-	-	165,297
Operating	292,199	278,496	-	159	278,655
Library:					
Operating	15,113	15,102	-	(3)	15,099
Total expenditures	10,429,528	7,124,346	2,121,297	1,600,525	6,603,574
Deficiency of revenues over expenditures	(1,259,696)	(914,288)	(516,229)	(20,123)	(418,182)
Other financing sources					
Transfers in	1,259,696	954,094	516,229	338,290	776,155
Excess of revenues and other financing sources over expenditures	\$ -	\$ 39,806	\$ -	318,167	\$ 357,973
Fund balance, beginning of year				39,806	
Fund balance, end of year				<u><u>\$ 357,973</u></u>	

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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
State wireless enhanced 911	\$ 170,653	\$ 240,060	\$ 69,407	\$ 216,295
Investment earnings	-	60,623	60,623	46,565
Subscriber fees	275,000	440,244	165,244	408,676
Total revenues	445,653	740,927	295,274	671,536
Expenditures				
Personal services	131,126	131,984	(858)	126,659
Operations	381,539	340,793	40,746	476,741
Capital outlay	47,167	40,480	6,687	49,549
Total expenditures	559,832	513,257	46,575	652,949
Excess (deficiency) of revenues over expenditures	(114,179)	227,670	341,849	18,587
Other financing sources (uses)				
Transfers out	-	(338,290)	(338,290)	-
Appropriated fund balance	114,179	-	(114,179)	-
Total other financing sources (uses)	114,179	(338,290)	(452,469)	-
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	(110,620)	\$ (110,620)	18,587
Fund balance, beginning of year		1,354,957		1,336,370
Fund balance, end of year		<u>\$ 1,244,337</u>		<u>\$ 1,354,957</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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Occupancy tax	\$ 543,000	\$ 664,903	\$ 121,903	\$ 576,010
Investment earnings	3,000	18,889	15,889	15,578
Other	53,234	56,606	3,372	50,720
Total revenues	599,234	740,398	141,164	642,308
Expenditures				
Community and environment:				
Operations	389,428	373,032	16,396	268,919
Personal services	333,775	337,307	(3,532)	299,845
Capital outlay	12,600	9,562	3,038	7,280
Total expenditures	735,803	719,901	15,902	576,044
Excess (deficiency) of revenues over expenditures	(136,569)	20,497	157,066	66,264
Other financing sources				
Appropriated fund balance	136,569	-	(136,569)	-
Excess of revenues and other financing sources over expenditures	\$ -	20,497	\$ 20,497	66,264
Fund balance, beginning of year		503,996		437,732
Fund balance, end of year		<u>\$ 524,493</u>		<u>\$ 503,996</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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Property taxes, current	\$ 2,531,972	\$ 2,627,215	\$ 95,243	\$ 2,452,920
Property taxes, delinquent	22,618	39,125	16,507	36,639
Investment earnings	5,048	15,102	10,054	10,265
Total revenues	2,559,638	2,681,442	121,804	2,499,824
Expenditures				
Public safety:				
Remittances to fire districts	2,648,127	2,648,127	-	2,387,096
Excess (deficiency) of revenues over expenditures	(88,489)	33,315	121,804	112,728
Other financing sources				
Appropriated fund balance	88,489	-	(88,489)	-
Excess of revenues and other financing sources over expenditures	\$ -	33,315	\$ 33,315	112,728
Fund balance, beginning of year		318,162		205,434
Fund balance, end of year		<u>\$ 351,477</u>		<u>\$ 318,162</u>

Orange County, North Carolina

Special Revenue - Heusner Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Investment earnings	<u>\$ -</u>	\$ 365	<u>\$ 365</u>	\$ 296
Fund balance, beginning of year		<u>8,350</u>		<u>8,054</u>
Fund balance, end of year		<u>\$ 8,715</u>		<u>\$ 8,350</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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Investment earnings	<u>\$ -</u>	\$ 4,981	<u>\$ 4,981</u>	\$ 8,302
Fund balance, beginning of year		<u>121,340</u>		<u>113,038</u>
Fund balance, end of year		<u>\$ 126,321</u>		<u>\$ 121,340</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, 2007

	Budget to Date	Actual		Total to Date
		Reported in Prior Year	Current Year	
Revenues				
Investment earnings	\$ -	\$ 8,060	4,884	\$ 12,944
Charges for services	216,493	169,353	48,576	217,929
Total revenues	216,493	177,413	53,460	230,873
Expenditures				
Adoption enhancement	293,438	141,452	64,985	206,437
Excess (deficiency) of revenues over (under) expenditures	(76,945)	35,961	(11,525)	24,436
Other financing sources				
Transfer from other funds	76,945	76,945	-	76,945
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 112,906	(11,525)	\$ 101,381
Fund balance, beginning of year			112,906	
Fund balance, end of year			<u>\$ 101,381</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, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Investment earnings	\$ -	\$ 48,576	\$ 48,576	\$ 38,213
Subdivision payments	-	32,545	32,545	44,790
Total revenues	<u>-</u>	<u>81,121</u>	<u>81,121</u>	<u>83,003</u>
Other financing sources				
Transfers from capital projects	-	-	-	1,006,065
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>81,121</u>	<u>\$ 81,121</u>	<u>1,089,068</u>
Fund balance, beginning of year		<u>1,089,068</u>		<u>-</u>
Fund balance, end of year		<u>\$ 1,170,189</u>		<u>\$ 1,089,068</u>

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Major Funds

Enterprise Funds

The Enterprise Funds are used to account for operations that are intended to be self-supporting through charges made to users 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

Enterprise Funds - Solid Waste Landfill Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Modified Accrual Basis

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007		2006	
	Budget	Actual	Positive (Negative) Variance	Actual
Revenues				
Landfill fees	\$ 3,567,600	\$ 3,838,491	\$ 270,891	\$ 3,761,371
Recycling	3,289,257	3,600,223	310,966	3,054,055
Mulch sales	85,000	121,751	36,751	99,604
Grants, State	153,000	215,234	62,234	195,214
Other	500	1,517	1,017	7,203
Investment earnings	100,000	319,793	219,793	223,552
Gain on disposal of fixed assets	-	107,856	107,856	-
Total revenues	7,195,357	8,204,865	1,009,508	7,340,999
Expenditures				
Administration	1,746,778	1,015,953	730,825	976,923
Landfill	2,784,194	1,600,990	1,183,204	1,746,570
Recycling	2,824,346	2,438,723	385,623	2,325,708
Contract services	1,016,825	435,489	581,336	457,892
Post closing cost	-	123,999	(123,999)	297,674
Loss on disposal of fixed assets	-	-	-	1,304
Total expenditures	8,372,143	5,615,154	2,756,989	5,806,071
Excess (deficiency) of revenues over (under) expenditures	(1,176,786)	2,589,711	3,766,497	1,534,928
Other financing sources (uses)				
Appropriated fund balance	1,092,608	-	(1,092,608)	-
Installment purchase contract issuance	842,038	842,038	-	335,900
Debt service, principal	(757,860)	(677,467)	80,393	(519,912)
Debt service, interest	-	(54,301)	(54,301)	(93,836)
Total other financing sources (uses)	1,176,786	110,270	(1,066,516)	(277,848)
Excess of revenues and other financing sources over expenditures	\$ -	\$ 2,699,981	\$ 2,699,981	\$ 1,257,080
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund, excess of revenues and other financing sources over expenditures		\$ 2,699,981		\$ 1,257,080
Reconciling items:				
Depreciation		(891,060)		(792,725)
Debt service		677,467		519,912
Installment purchase contract issuance		(842,038)		(335,900)
Change in net assets		\$ 1,644,350		\$ 648,367

Orange County, North Carolina

Enterprise Funds - Efland Sewer Operating Fund
 Schedule of Revenues and Expenditures - Budget and Actual - Modified Accrual Basis
 Year Ended June 30, 2007
 With Comparative Totals for the Year Ended June 30, 2006

	2007		Positive (Negative) Variance	2006
	Budget	Actual		Actual
Revenues				
Service fees	\$ 63,500	\$ 64,201	\$ 701	\$ 57,636
Interest on investments	-	1,791	1,791	1,799
Total revenues	63,500	65,992	2,492	59,435
Expenditures				
Operations	172,450	171,950	500	144,259
Deficiency of revenues under expenses	(108,950)	(105,958)	2,992	(84,824)
Other financing sources				
Transfers in	106,800	106,800	-	85,000
Appropriated fund balance	2,150	-	(2,150)	-
Total other financing sources	108,950	106,800	(2,150)	85,000
Excess of revenues and other financing sources over expenditures	\$ -	\$ 842	\$ 842	\$ 176
Reconciliation of modified accrual basis to full accrual basis				
Efland Sewer Operating Fund, excess of revenues and other financing sources over expenditures		\$ 842		\$ 176
Reconciling items:				
Depreciation expense		(37,070)		(37,070)
		<u>\$ (36,228)</u>		<u>\$ (36,894)</u>

Orange County, North Carolina

Enterprise Funds - Efland Sewer Construction Fund
 Schedule of Revenues and Expenditures - Budget and Actual - Modified Accrual Basis
 From Inception and for the Year Ended June 30, 2007

	Authorizations		
	Total July 1, 2006	Current Year Increase (Decrease)	Total June 30, 2007
Revenues			
FmHA grant	\$ 763,387	\$ -	763,387
Senate Bill 2 funds	412,829	-	412,829
Investment earnings	-	-	-
Gain on retirement of debt	-	-	-
Tap fees	-	-	-
Total revenues	1,176,216	-	1,176,216
Expenditures			
Construction-in-progress:			
Construction	1,251,645	-	1,251,645
Engineering and architectural fees	205,000	-	205,000
Capitalized interest	12,000	-	12,000
Contingency	63,000	-	63,000
	1,531,645	-	1,531,645
Land and right-of-way	10,000	-	10,000
Legal fees for right-of-way	26,000	-	26,000
Tap fees	15,000	-	15,000
Total expenditures	1,582,645	-	1,582,645
Deficiency of revenues under expenditures	(406,429)	-	(406,429)
Other financial sources (uses)			
Bond issuance	200,000	-	200,000
Transfers in	212,829	-	212,829
Transfers out	(6,400)	-	(6,400)
Total other financing sources	406,429	-	406,429
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -

Actual

Reported in Prior Years	Current Year	Total to Date
\$ 1,176,216	\$ -	1,176,216
-	-	-
14,970	-	14,970
81,764	-	81,764
1,200	-	1,200
<u>1,274,150</u>	<u>-</u>	<u>1,274,150</u>
1,230,734	-	1,230,734
222,214	-	222,214
22,169	-	22,169
-	-	-
<u>1,475,117</u>	<u>-</u>	<u>1,475,117</u>
5,990	-	5,990
46,946	-	46,946
28,305	-	28,305
<u>1,556,358</u>	<u>-</u>	<u>1,556,358</u>
<u>(282,208)</u>	<u>-</u>	<u>(282,208)</u>
200,000	-	200,000
211,000	-	211,000
(6,400)	-	(6,400)
<u>404,600</u>	<u>-</u>	<u>404,600</u>
<u>\$ 122,392</u>	<u>\$ -</u>	<u>\$ 122,392</u>

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Orange County, North Carolina

Enterprise Funds - SportsPlex Fund

Schedule of Revenues and Expenditures - Budget and Actual - Modified Accrual Basis

Year Ended June 30, 2007

With Comparative Totals for the Year Ended June 30, 2006

	2007			2006
	Budget	Actual	Positive (Negative) Variance	Actual
Revenues				
Service fees	\$ 1,703,000	\$ 2,208,376	\$ 505,376	\$ 1,105,235
Other revenues	-	-	-	16,994
Total revenues	1,703,000	2,208,376	505,376	1,122,229
Expenditures				
Operations	1,876,316	2,272,863	(396,547)	1,093,654
Excess (deficiency) of revenues over (under) expenditures	(173,316)	(64,487)	108,829	28,575
Other financing sources				
Debt service, principal	(279,545)	(279,545)	-	-
Debt service, interest	(247,139)	(245,648)	1,491	(140,414)
Transfers in	700,000	700,000	-	355,867
Total other financing sources	173,316	174,807	1,491	215,453
Excess of revenues and other financing sources over expenditures	\$ -	\$ 110,320	\$ 110,320	\$ 244,028

**Reconciliation of modified accrual
basis to full accrual basis**

SportsPlex Operating Fund, excess of revenues and other financing sources over expenditures	\$ 110,320	\$ 244,028
Reconciling items:		
Depreciation expense	(202,857)	(88,769)
Debt service	279,545	-
Change in net assets	\$ 187,008	\$ 155,259

Orange County, North Carolina

Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2007

	School District	Jail Inmate Trust Fund
Assets		
Cash and investments	\$ 45,909	\$ 49,753
Accounts receivable, property taxes, net	142,411	-
Accounts receivable, other	-	-
Total assets	\$ 188,320	\$ 49,753
Liabilities		
Accounts payable	\$ 188,320	\$ -
Due to library	-	-
Due to cooperative extension	-	-
Due to jail inmates	-	49,753
Total liabilities	\$ 188,320	\$ 49,753

Cooperative Extension 4-H	Hyconeechee Regional Library	American Stone No Fault Well Repair	Communication Tower Trust Fund	Totals
\$ 90,967	\$ 70	\$ 117,013	\$ 11,850	\$ 315,562
-	-	-	-	142,411
-	4,826	-	-	4,826
<u>\$ 90,967</u>	<u>\$ 4,896</u>	<u>\$ 117,013</u>	<u>\$ 11,850</u>	<u>\$ 462,799</u>
\$ 19,891	\$ 714	\$ 117,013	\$ 11,850	\$ 337,788
-	4,182	-	-	4,182
71,076	-	-	-	71,076
-	-	-	-	49,753
<u>\$ 90,967</u>	<u>\$ 4,896</u>	<u>\$ 117,013</u>	<u>\$ 11,850</u>	<u>\$ 462,799</u>

Orange County, North Carolina

Agency Funds
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Year Ended June 30, 2007

	July 1, 2006	Additions	Deductions	June 30, 2007
School District Fund				
Assets				
Cash and investments	\$ 48,682	\$ 15,102,442	\$ 15,105,215	\$ 45,909
Accounts receivable, property taxes, net	153,083	15,091,770	15,102,442	142,411
Total assets	\$ 201,765	\$ 30,194,212	\$ 30,207,657	\$ 188,320
Liabilities				
Accounts payable	\$ 201,765	\$ 30,194,212	\$ 30,207,657	\$ 188,320
Total liabilities	\$ 201,765	\$ 30,194,212	\$ 30,207,657	\$ 188,320
Jail Inmate Fund				
Assets				
Cash and investments	\$ -	\$ 293,868	\$ 244,115	\$ 49,753
Total assets	\$ -	\$ 293,868	\$ 244,115	\$ 49,753
Liabilities				
Accounts payable	\$ -	\$ 293,868	\$ 244,115	\$ 49,753
Total liabilities	\$ -	\$ 293,868	\$ 244,115	\$ 49,753
Cooperative Extension 4-H Fund				
Assets				
Cash and investments	\$ 99,779	114,143	122,955	\$ 90,967
Total assets	\$ 99,779	\$ 114,143	\$ 122,955	\$ 90,967
Liabilities				
Accounts payable	\$ 12,657	\$ 19,891	\$ 12,657	\$ 19,891
Due to cooperative extension	87,122	94,252	110,298	71,076
Total liabilities	\$ 99,779	\$ 114,143	\$ 122,955	\$ 90,967
Hyconeechee Regional Library Fund				
Assets				
Cash and investments	\$ -	461,656	461,586	\$ 70
Accounts receivable - other	6,621	4,826	6,621	4,826
Total assets	\$ 6,621	\$ 466,482	\$ 468,207	\$ 4,896
Liabilities				
Accounts payable	\$ 263	\$ 714	\$ 263	\$ 714
Due to other governments	1,824	-	1,824	-
Due to library	4,534	465,768	466,120	4,182
Total liabilities	\$ 6,621	\$ 466,482	\$ 468,207	\$ 4,896

(Continued)

Orange County, North Carolina

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)

Year Ended June 30, 2007

	July 1, 2006	Additions	Deductions	June 30, 2007
No Fault Well Repair				
Assets				
Cash and investments	\$ 102,219	\$ 19,688	\$ 4,894	\$ 117,013
Accounts receivable - other	8,754	-	8,754	-
Total assets	\$ 110,973	\$ 19,688	\$ 13,648	\$ 117,013
Liabilities				
Accounts payable	\$ 110,973	\$ 19,688	\$ 13,648	\$ 117,013
Total liabilities	\$ 110,973	\$ 19,688	\$ 13,648	\$ 117,013
Communication Tower Trust Fund				
Assets				
Cash and investments	\$ 13,949	\$ 21,618	\$ 23,717	\$ 11,850
Total assets	\$ 13,949	\$ 21,618	\$ 23,717	\$ 11,850
Liabilities				
Accounts payable	\$ 13,949	\$ 21,618	\$ 23,717	\$ 11,850
Total liabilities	\$ 13,949	\$ 21,618	\$ 23,717	\$ 11,850
Total - All Agency Funds				
Assets				
Cash and investments	\$ 264,629	\$ 16,013,415	\$ 15,962,482	\$ 315,562
Accounts receivable, property taxes, net	153,083	15,091,770	15,102,442	142,411
Accounts receivable, other	15,375	4,826	15,375	4,826
Total assets	\$ 433,087	\$ 31,110,011	\$ 31,080,299	\$ 462,799
Liabilities				
Accounts payable	\$ 339,607	\$ 30,549,991	\$ 30,502,057	\$ 387,541
Due to other governments	1,824	-	1,824	-
Due to library	4,534	465,768	466,120	4,182
Due to cooperative extension	87,122	94,252	110,298	71,076
Total liabilities	\$ 433,087	\$ 31,110,011	\$ 31,080,299	\$ 462,799

Orange County, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2007

Fiscal Year	Uncollected Balance June 30, 2006	Additions	Collections and Credits	Discoveries Abatements Adjustments	Uncollected Balance June 30, 2007
2007	\$ -	\$ 111,171,556	\$ (110,014,826)	\$ -	\$ 1,156,730
2006	1,103,080	-	(842,926)	(15,025)	245,129
2005	280,977	-	(141,457)	(3,172)	136,348
2004 and prior	1,327,188	-	(69,481)	(21,821)	1,235,886
	<u>\$ 2,711,245</u>	<u>\$ 111,171,556</u>	<u>\$ (111,068,690)</u>	<u>\$ (40,018)</u>	<u>2,774,093</u>
Less allowance for doubtful accounts					(1,026,414)
Ad valorem taxes, net					<u><u>\$ 1,747,679</u></u>
Reconcilement with revenues					
Taxes, ad valorem					111,022,045
Reconciling items:					
Releases and adjustments					46,645
					<u><u>\$ 111,068,690</u></u>

Orange County, North Carolina

Schedule of Current Tax Levy
Year Ended June 30, 2007

Levy	Property Valuation**	Rate Per \$100	Total Adjusted Levy *	Total Levy	
				Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current year rate	\$ 12,017,383,685	0.00903	\$ 108,465,206	\$ 103,409,102	\$ 5,056,104
Motor vehicles taxed at prior year rate	312,931,504	0.00843	2,660,492	-	2,660,492
Late list penalties	-		39,108	39,108	-
Lien advertisement	-		6,750	6,750	-
	<u>\$ 12,330,315,189</u>		<u>111,171,556</u>	<u>103,454,960</u>	<u>7,716,596</u>
Uncollected taxes at June 30, 2007			1,156,730	618,184	538,546
Current year taxes collected			<u>\$ 110,014,826</u>	<u>\$ 102,836,776</u>	<u>\$ 7,178,050</u>
Current year collection percentages			<u>98.96%</u>	<u>99.40%</u>	<u>93.02%</u>

*Total adjusted levy includes discoveries and abatements.

**Property tax valuation prior to the discoveries and abatements

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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.

Financial Trends: These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity: These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity: These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**Net Assets By Component
Last Five Fiscal Years
(Accrual Basis of Accounting)**

	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets, net of related debt	\$ 23,802,586	\$ 8,323,542	\$ (2,329,884)	\$ 6,033,496	\$ 3,363,763
Restricted:					
Capital assets	49,125,807	22,521,235	-	500,511	20,122,226
Other purposes	-	-	-	-	1,392,207
Unrestricted	(107,189,190)	(112,977,847)	(71,473,372)	(79,627,592)	(90,754,566)
Total governmental activities	\$ (34,260,797)	\$ (82,133,070)	\$ (73,803,256)	\$ (73,093,585)	\$ (65,876,370)
Business-type activities					
Invested in capital assets, net of related debt	\$ 5,158,855	\$ 5,334,757	\$ 5,331,054	\$ 6,034,422	\$ 6,728,112
Unrestricted	3,566,096	1,595,064	812,996	(582,170)	(187,000)
Total business-type activities	\$ 8,724,951	\$ 6,929,821	\$ 6,144,050	\$ 5,452,252	\$ 6,541,112
Primary government					
Invested in capital assets, net of related debt	\$ 28,961,441	\$ 13,658,299	\$ 3,001,170	\$ 12,067,918	\$ 10,091,875
Restricted:					
Capital assets	49,125,807	22,521,235	-	500,511	20,122,226
Other purposes	-	-	-	-	1,392,207
Unrestricted	(103,623,094)	(111,382,783)	(70,660,376)	(80,209,762)	(90,941,566)
Total primary government	\$ (25,535,846)	\$ (75,203,249)	\$ (67,659,206)	\$ (67,641,333)	\$ (59,335,258)

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 reflected on the County's financial statements, the County reports a deficit in net assets.

Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
Governing and management	\$ 10,364,753	\$ 9,013,179	\$ 11,633,062	\$ 11,581,882	\$ 7,984,601
General services	11,404,059	10,371,173	10,095,265	8,168,947	9,447,392
Community and environment	9,922,055	9,078,254	8,939,210	9,893,926	8,022,768
Human services	34,318,247	33,499,003	32,558,212	29,540,568	28,075,210
Education	85,157,632	82,853,757	58,910,220	61,463,034	62,967,519
Public safety	20,546,205	18,278,983	16,685,076	15,781,817	14,462,403
Culture and recreation	3,245,515	2,508,464	2,430,733	1,918,031	1,538,918
Interest on long-term debt	8,290,604	7,526,775	6,508,674	6,766,691	6,480,482
Total governmental activities	183,249,070	173,129,588	147,760,452	145,114,896	138,979,293
Business-type activities:					
Landfill	6,560,515	6,691,328	5,766,797	5,456,187	4,722,846
Sewer	209,020	181,329	177,477	237,150	921,655
SportsPlex	2,721,368	1,322,837	-	-	-
Total business-type activities	9,490,903	8,195,494	5,944,274	5,693,337	5,644,501
Total expenses	192,739,973	181,325,082	153,704,726	150,808,233	144,623,794
Revenues					
Governmental activities:					
Program revenues:					
Charges for services	13,340,016	11,926,850	10,861,457	10,747,239	10,409,508
Operating grants and contributions	23,514,334	21,785,974	20,838,946	19,304,008	19,075,713
Capital grants and contributions	3,857,083	26,673	953,634	60,068	-
General revenues:					
Property taxes	114,240,169	103,277,416	91,188,353	84,879,390	80,396,482
Other taxes	23,319,221	21,795,500	20,448,762	19,138,144	16,555,551
Other	3,724,713	4,903,090	2,966,288	2,446,239	2,963,720
Total governmental activities	181,995,536	163,715,503	147,257,440	136,575,088	129,400,974
Business-type activities:					
Charges for services	9,833,042	8,094,895	6,847,668	4,428,918	4,633,446
Operating grants and contributions	215,234	195,214	215,868	191,750	299,083
Other	1,237,757	672,117	96,679	30,379	39,708
Total business-type activities	11,286,033	8,962,226	7,160,215	4,651,047	4,972,237
Total revenues	193,281,569	172,677,729	154,417,655	141,226,135	134,373,211

(Continued)

**Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)**

	2007	2006	2005	2004	2003
Increase in net assets	\$ 541,596	\$ (8,647,353)	\$ 712,929	\$ (9,582,098)	\$ (10,250,583)
Net assets, July 1, previously reported	(75,203,249)	(67,659,206)	(67,641,333)	(59,335,258)	(48,641,062)
Prior period adjustment	-	1,103,310	(730,802)	1,276,023	(443,613)
Net assets, July 1, restated	<u>(75,203,249)</u>	<u>(66,555,896)</u>	<u>(68,372,135)</u>	<u>(58,059,235)</u>	<u>(49,084,675)</u>
Net assets, June 30	<u>\$ (74,661,653)</u>	<u>\$ (75,203,249)</u>	<u>\$ (67,659,206)</u>	<u>\$ (67,641,333)</u>	<u>\$ (59,335,258)</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)

	2007	2006	2005	2004
General fund				
Reserved for:				
Inventories	\$ 113,966	\$ 114,036	\$ 82,251	\$ 83,803
Encumbrances	963,542	847,979	624,561	628,551
State statute	10,349,628	7,956,752	6,905,033	7,649,826
Total reserved	11,427,136	8,918,767	7,611,845	8,362,180
Unreserved:				
Designated:				
Capital and miscellaneous	-	-	-	-
Subsequent year's expenditures	-	-	-	1,714,451
Undesignated	21,384,544	15,452,551	13,548,885	10,879,392
Total unreserved	21,384,544	15,452,551	13,548,885	12,593,843
Total general fund	32,811,680	24,371,318	21,160,730	20,956,023
All other governmental funds				
Reserved for:				
Encumbrances	1,888,242	7,635,847	2,733,971	1,652,432
State statute	1,596,372	495,693	1,366,199	825,530
Total reserved	3,484,614	8,131,540	4,100,170	2,477,962
Unreserved:				
Designated:				
Subsequent year's expenditures	67,442,865	33,120,947	17,882,591	5,468,041
Undesignated	-	2,300,707	2,794,179	3,718,401
Reported in nonmajor special revenue	5,391,683	3,936,389	2,277,472	2,583,290
Total unreserved	72,834,548	39,358,043	22,954,242	11,769,732
Total all other governmental funds	76,319,162	47,489,583	27,054,412	14,247,694
Total all funds	\$ 109,130,842	\$ 71,860,901	\$ 48,215,142	\$ 35,203,717

Table 3

2003	2002	2001	2000	1999	1998
\$ 118,188	\$ 81,805	\$ 76,959	\$ 78,977	\$ 92,099	\$ 91,558
646,232	518,925	619,089	571,812	530,069	317,831
6,775,510	6,524,159	6,188,956	8,430,055	7,392,730	7,688,333
7,539,930	7,124,889	6,885,004	9,080,844	8,014,898	8,097,722
-	-	-	299,687	299,687	299,687
2,099,108	2,666,008	3,591,596	3,884,820	2,273,702	1,408,063
12,329,134	11,641,260	13,528,396	13,470,026	14,377,602	11,752,158
14,428,242	14,307,268	17,119,992	17,654,533	16,950,991	13,459,908
21,968,172	21,432,157	24,004,996	26,735,377	24,965,889	21,557,630
1,090,126	402,278	868,570	790,744	953,904	885,808
903,919	1,220,742	251,463	238,745	181,502	773,503
1,994,045	1,623,020	1,120,033	1,029,489	1,135,406	1,659,311
19,710,687	16,162,771	28,976,597	38,482,637	5,523,885	16,212,350
7,059,332	7,971,884	-	-	-	-
1,880,657	2,903,358	2,942,492	2,961,507	3,223,532	1,574,014
28,650,676	27,038,013	31,919,089	41,444,144	8,747,417	17,786,364
30,644,721	28,661,033	33,039,122	42,473,633	9,882,823	19,445,675
\$ 52,612,893	\$ 50,093,190	\$ 57,044,118	\$ 69,209,010	\$ 34,848,712	\$ 41,003,305

Orange County, North Carolina

Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2007	2006	2005	2004
Revenues				
Property taxes	\$ 114,817,041	\$ 103,650,756	\$ 91,786,364	\$ 85,404,401
Sales tax	22,636,962	21,176,362	19,786,266	18,589,763
Intergovernmental revenues	27,371,417	22,346,834	22,438,641	19,364,076
Charges for services	10,560,926	9,754,878	8,232,327	6,697,791
Investment earnings	3,523,274	3,683,113	1,101,586	396,143
Licenses and permits	332,545	268,571	256,850	1,360,384
Impact fees	2,020,400	1,864,897	2,372,280	2,689,064
Miscellaneous	994,820	1,253,232	1,314,884	2,048,802
Total revenues	182,257,385	163,998,643	147,289,198	136,550,424
Expenditures				
Current:				
Governing and management	7,765,185	7,060,610	6,315,396	5,081,203
General services	10,597,332	9,976,728	9,703,326	9,341,406
Community and environment	9,533,076	8,964,634	9,040,677	8,769,698
Human services	33,848,886	32,512,567	31,463,036	30,416,726
Education	56,993,744	52,271,554	48,752,268	46,461,682
Public safety	19,786,208	17,549,051	16,202,310	15,699,015
Culture and recreation	3,156,900	2,444,132	2,329,396	1,918,031
Capital outlay	38,967,226	36,887,563	19,615,281	20,903,526
Debt service:				
Principal	14,588,007	13,236,904	11,066,814	10,276,402
Interest	8,114,118	6,758,565	6,889,640	6,780,803
Issuance costs	-	334,964	22,393	2,000
Total expenditures	203,350,682	187,997,272	161,400,537	155,650,492
Deficiency of revenues under expenditures	(21,093,297)	(23,998,629)	(14,111,339)	(19,100,068)
Other financing sources (uses)				
Bonds issuance	-	29,185,000	25,140,000	-
Refunding issuance	-	29,365,000	-	-
Refunding issue costs	-	(1,590,000)	-	-
Payments to escrow agent - refunding	-	(27,775,000)	-	-
Installment loans issuance	59,057,000	17,685,000	1,820,506	378,300
Capital leases issuance	-	1,215,255	-	-
Transfers in	11,791,989	12,111,856	8,782,469	11,764,671
Transfers out	(12,598,789)	(12,552,723)	(8,622,211)	(11,718,101)
Total other financing sources	58,250,200	47,644,388	27,120,764	424,870
Net change in fund balances	\$ 37,156,903	\$ 23,645,759	\$ 13,009,425	\$ (18,675,198)
Debt service as a percentage of noncapital expenditures	13.63%	13.23%	12.68%	12.66%

Table 4

	2003	2002	2001	2000	1999	1998
\$	80,884,567	\$ 76,643,685	\$ 71,687,783	\$ 67,593,473	\$ 63,486,049	\$ 59,300,232
	15,985,224	14,753,323	14,452,882	14,029,366	13,468,015	12,475,261
	19,075,713	19,436,552	18,963,075	22,957,280	24,745,289	16,481,200
	6,632,968	5,719,317	5,178,189	4,842,139	4,796,405	4,005,881
	626,991	1,642,448	4,019,039	2,638,479	1,901,941	2,141,451
	1,181,198	1,222,652	974,996	921,226	916,190	783,743
	2,595,342	2,919,018	3,016,455	3,117,795	2,688,750	1,720,500
	2,335,503	1,548,606	1,610,563	1,005,732	1,328,031	1,016,665
	129,317,506	123,885,601	119,902,982	117,105,490	113,330,670	97,924,933
	4,600,241	4,468,943	3,838,932	3,620,329	3,307,522	3,221,519
	9,447,392	8,217,366	7,633,532	7,314,849	6,924,082	7,060,397
	7,999,562	7,862,114	7,168,150	6,690,798	5,640,895	5,089,714
	28,098,416	27,041,595	24,992,041	22,010,156	20,820,418	19,207,946
	44,150,357	43,008,464	40,493,653	36,580,779	32,372,172	29,054,364
	14,367,523	13,483,924	12,192,004	11,459,291	10,758,097	10,107,084
	1,538,918	1,419,207	1,348,475	1,299,185	1,287,825	1,200,187
	24,427,047	35,175,797	36,108,860	22,748,852	25,853,042	14,159,288
	9,767,002	8,795,743	7,231,228	5,944,011	5,856,932	5,042,785
	6,315,632	6,575,108	6,294,775	4,231,733	4,573,216	4,782,919
	126,583	230,351	-	-	-	-
	150,838,673	156,278,612	147,301,650	121,899,983	117,394,201	98,926,203
	(21,521,167)	(32,393,011)	(27,398,668)	(4,794,493)	(4,063,531)	(1,001,270)
	19,175,000	15,344,129	-	40,175,000	-	-
	22,815,000	-	-	-	-	-
	2,037,715	-	-	-	-	-
	(24,726,132)	-	-	-	-	-
	4,614,276	2,255,628	14,433,992	-	-	780,000
	-	-	-	-	-	-
	8,376,157	7,790,462	13,268,172	10,305,944	7,039,266	7,194,793
	(8,261,148)	(7,171,242)	(12,804,933)	(9,820,054)	(6,557,847)	(6,718,457)
	24,030,868	18,218,977	14,897,231	40,660,890	481,419	1,256,336
\$	2,509,701	\$ (14,174,034)	\$ (12,501,437)	\$ 35,866,397	\$ (3,582,112)	\$ 255,066
	12.72%	12.69%	12.16%	10.26%	11.39%	11.59%

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
1998	\$ 5,361,329,887	\$ 851,073,083	\$ 176,543,720
1999	5,617,653,829	924,149,804	184,438,796
2000	5,886,410,337	969,221,679	190,464,397
2001	6,153,059,801	1,003,565,338	207,177,982
2002	7,848,287,505	1,062,765,496	215,042,038
2003	8,163,921,473	1,100,233,638	215,976,206
2004	8,482,244,767	1,092,264,074	212,895,468
2005	8,794,192,326	1,115,514,805	208,965,580
2006	10,321,040,868	1,322,278,025	211,531,245
2007	10,936,261,416	1,214,967,577	218,479,438

Source: Annual County Report of Valuation and Property Tax Levies.

Table 5

Less Tax-Exempt Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Market Value	Assessed Value as a Percent of Actual Value
\$ -	\$ 6,388,946,690	\$ 0.902	\$ 6,623,415,602	96.46%
19,051,909	6,707,190,520	0.919	7,205,060,178	93.09%
20,147,479	7,025,948,934	0.929	7,940,719,554	88.48%
19,681,025	7,344,122,096	0.805	8,869,914,624	82.80%
19,624,146	9,106,470,893	0.830	9,425,037,149	96.62%
34,248,473	9,445,882,844	0.845	10,476,799,960	90.16%
32,222,193	9,755,182,116	0.880	11,040,124,876	88.36%
34,545,769	10,084,126,942	0.843	12,037,873,871	83.77%
40,113,991	11,814,736,147	0.843	12,445,034,661	94.94%
39,393,242	12,330,315,189	0.903	13,740,043,669	89.74%

Orange County, North Carolina

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2007	2006	2005	2004
Orange County	\$ 0.9030	\$ 0.8430	\$ 0.8800	\$ 0.8450
Municipality rates:				
Chapel Hill	0.5220	0.5220	0.5750	0.5530
Carrboro	0.6244	0.6244	0.7148	0.6852
Hillsborough	0.6200	0.5660	0.6200	0.6200
Fire districts:				
Cedar Grove	0.07300	0.0730	0.0730	0.0730
Chapel Hill	0.01900	0.0190	0.0200	0.0200
Damascus	0.04000	0.0260	0.0300	0.0300
Efland	0.04225	0.0348	0.0465	0.0375
Eno	0.05700	0.0570	0.0640	0.0640
Little River	0.04600	0.0460	0.0520	0.0450
New Hope	0.06750	0.0625	0.0650	0.0650
Orange Grove	0.03900	0.0340	0.0390	0.0390
Orange Rural	0.05600	0.0560	0.0510	0.0510
South Orange	0.04000	0.0920	0.0920	0.0920
Southern Triangle	0.04000	0.0260	0.0300	0.0300
White Cross	0.04200	0.0420	0.0480	0.0480
Chapel Hill-Carrboro School District	0.18850	0.1834	0.2000	0.2000

Source: Orange County Tax Assessor Office

Table 6

Year Taxes are Payable					
2003	2002	2001	2000	1999	1998
\$ 0.8300	\$ 0.8050	\$ 0.9290	\$ 0.9190	\$ 0.9020	\$ 0.8730
0.5530	0.5040	0.5780	0.5630	0.5380	0.5380
0.6852	0.6568	0.7120	0.6750	0.6600	0.6375
0.6200	0.6000	0.6200	0.5700	0.5200	0.4500
0.0730	0.0730	0.0730	0.0630	0.0630	0.0630
0.0200	0.0200	0.0250	0.0250	0.0250	0.0250
0.0260	0.0260	0.0300	0.0300	0.0300	0.0330
0.0285	0.0285	0.0300	0.0300	0.0300	0.0300
0.0440	0.0440	0.0510	0.0510	0.0510	0.0510
0.0450	0.0450	0.0465	0.0465	0.0465	0.0465
0.0500	0.0500	0.0550	0.0515	0.0515	0.0515
0.0390	0.0390	0.0440	0.0440	0.0440	0.0440
0.0460	0.0460	0.0450	0.0400	0.0400	0.0400
0.0785	0.0850	0.0900	0.0880	0.0880	0.0880
0.0260	0.0260	0.0300	0.0300	0.0300	0.0300
0.0480	0.0480	0.0580	0.0580	0.0580	0.0580
0.1920	0.2020	0.2200	0.2200	0.1920	0.1790

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Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2007			Fiscal Year 1998		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy	Public utility	\$ 85,032,008	1	0.69%	\$ 70,582,673	1	1.10%
VAC Limited Partnership	Apartment rental	62,932,010	2	0.51%	48,966,336	3	0.77%
US CT LLC	Property owners trust	50,171,736	3	0.41%			0.00%
Southeast Region IV, LLC		43,904,279	4	0.36%			0.00%
Piedmont Electric Membership	Public utility	42,058,880	5	0.34%	25,441,517	7	0.40%
Blue Cross Blue Shield	Insurance provider	41,499,386	6	0.34%	65,914,692	2	1.03%
University Mall Properties	Retail	36,437,198	7	0.30%			0.00%
Bell South	Public utility	34,013,462	8	0.28%	36,218,129	5	0.57%
Corium LLC	Insurance provider	32,584,496	9	0.26%			0.00%
Patriots Point, LLC	Real estate	30,322,127	10	0.25%			0.00%
Elizabeth Kenan Trustee	Property owners trust				44,945,947	4	0.70%
Chapel Hill Residential Retirement Ctr	Retirement Facility				27,881,891	6	0.44%
Wachovia Bank, NA	Banking and Financial Services				20,909,245	8	0.33%
General Electric Company	Manufacturer				20,109,661	9	0.31%
Franklin Misty Woods and Associates	Apartment rental				14,629,581	10	0.23%
		<u>\$ 458,955,582</u>		<u>3.72%</u>	<u>\$ 375,599,672</u>		<u>5.88%</u>

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
1997	1998	\$ 65,368,175	\$ 64,309,207	98.38%
1998	1999	70,316,829	69,421,430	98.73%
1999	2000	76,489,429	75,287,744	98.42%
2000	2001	80,576,790	79,356,027	98.48%
2001	2002	87,980,261	86,794,380	98.65%
2002	2003	92,190,830	90,917,919	98.61%
2003	2004	82,444,007	81,398,098	98.73%
2004	2005	88,749,583	87,687,321	98.80%
2005	2006	100,374,499	99,271,419	98.90%
2006	2007	111,171,556	110,014,826	98.96%

*Tax levy includes special districts.

Table 8

	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
\$	945,593	65,254,801	99.83%	1,933,364	2.96%
	944,342	70,365,772	99.93%	2,054,195	2.92%
	951,204	76,238,948	99.67%	2,358,799	3.08%
	1,121,114	80,477,141	99.87%	2,400,709	2.98%
	996,708	87,791,088	99.78%	2,512,868	2.86%
	1,069,986	91,987,905	99.78%	2,629,499	2.85%
	973,082	82,371,180	99.91%	2,464,989	2.99%
	952,448	88,639,769	99.88%	2,455,230	2.77%
	954,076	100,255,495	99.88%	2,711,245	2.70%
	1,053,864	111,068,690	98.01%	2,774,093	2.50%

Orange County, North Carolina

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				General Obligation Bonds
	General Obligation Bonds	Revenue Bonds	Installment Loans	Capital Leases	
1998	\$ 63,835,000	\$ -	\$ 25,371,341	\$ 83,368	\$ -
1999	59,565,000	-	23,784,290	21,304	-
2000	95,475,000	-	22,105,357	2,093	-
2001	90,030,000	-	34,821,659	15,454	-
2002	102,255,000	-	31,403,649	10,768	-
2003	113,935,000	-	32,559,707	5,776	-
2004	107,585,000	-	28,610,895	70,366	-
2005	125,810,000	-	24,565,678	2,107,612	-
2006	148,175,000	-	37,878,032	2,765,956	-
2007	139,215,000	-	92,219,561	1,849,471	-

*Information not yet available.

Table 9

Business-Type Activities			Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
Revenue Bonds	Installment Loans	Capital Leases			
\$ -	\$ -	\$ -	\$ 89,289,709	\$ 817	2.94%
-	-	-	83,370,594	744	2.63%
-	-	-	117,582,450	994	3.53%
-	-	-	124,867,113	1,032	3.48%
-	-	-	133,669,417	1,085	3.52%
-	1,365,043	-	147,865,526	1,179	3.81%
-	1,094,886	613,794	137,974,941	1,083	3.54%
-	836,342	1,152,360	154,471,992	1,200	3.75%
-	6,570,860	1,233,830	196,623,678	1,527	2.37%
-	6,013,542	1,676,173	240,973,747	1,927	*

Orange County, North Carolina

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		
	General Obligation Bonds	Revenue Bonds	Total
1998	\$ 63,835,000	\$ -	\$ 63,835,000
1999	59,565,000	-	59,565,000
2000	95,475,000	-	95,475,000
2001	90,030,000	-	90,030,000
2002	102,255,000	-	102,255,000
2003	113,955,222	-	113,955,222
2004	107,585,000	-	107,585,000
2005	125,810,000	-	125,810,000
2006	148,175,000	-	148,175,000
2007	139,215,000	-	139,215,000

*Information not yet available.

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

- (1) See Table 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Calendar 2006 personal income not available to calculate fiscal year 2007.
- (2) See Table 5 for property value data.

Table 10

Percentage of Personal Income (1)	Percentage of Actual Taxable Value of Property (2)	Per Capita (1)
2.10%	0.96%	\$ 584
1.88%	0.83%	532
2.87%	1.20%	807
2.51%	1.02%	744
2.69%	1.08%	830
2.94%	1.09%	909
2.76%	0.97%	844
3.05%	1.05%	977
3.15%	1.19%	1,151
*	1.13%	1,113

Orange County, North Carolina

Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in Thousands)

	2007	2006	2005	2004
Assessed value of property	\$ 12,330,315	\$ 11,597,244	\$ 10,084,127	\$ 9,735,182
Debt limit, 8% of assessed value (statutory limitation)	986,425	927,780	806,730	778,815
Amount of debt applicable to limit:				
Gross debt	240,974	196,624	154,472	137,975
Less:				
Amount available for repayment of general obligation bonds	-	-	-	-
Debt outstanding for water and sewer purposes	-	-	-	-
Revenue bonds	-	-	-	-
Total net debt applicable to limit	240,974	196,624	154,472	137,975
Legal debt margin	\$ 745,451	\$ 731,156	\$ 652,258	\$ 640,840
Total net debt applicable to the limit as a percentage of debt limit	24.47%	21.19%	19.15%	17.72%

Note: NC Statute 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 to 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.

Table 11

	2003	2002	2001	2000	1999	1998
\$	9,445,863	\$ 9,106,471	\$ 7,363,603	\$ 7,025,945	\$ 6,707,190	\$ 6,388,947
	755,669	728,518	589,088	562,076	536,575	511,116
	147,866	133,669	124,867	117,582	83,371	89,290
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	147,866	133,669	124,867	117,582	83,371	89,290
\$	607,803	\$ 594,849	\$ 464,221	\$ 444,494	\$ 453,204	\$ 421,826
	19.57%	18.35%	21.20%	20.92%	15.54%	17.47%

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Direct and Overlapping Governmental Activities Debt
June 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Municipalities			
Town of Chapel Hill	\$ 46,130,000	100%	\$ 46,130,000
Town of Hillsborough	9,631,882	100%	9,631,882
Town of Carrboro	7,530,579	100%	7,530,579
City of Durham	393,169,067	3%	11,795,072
Town of Mebane	11,801,413	30%	3,540,424
Total direct debt			<u>240,973,747</u>
Total direct and overlapping debt			<u><u>\$ 319,601,704</u></u>

Source: Finance Officers of above listed municipalities.

Orange County, North Carolina

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (2) (Thousands of Dollars)
1998	109,288	\$ 3,042,049
1999	111,982	3,169,976
2000	118,277	3,327,229
2001	118,376	3,583,041
2002	119,376	3,800,280
2003	120,168	3,877,363
2004	120,644	3,902,027
2005	122,052	4,122,336
2006	123,766	4,667,922
2007	125,046	*

*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. Includes inspections by municipalities.

Table 13

	Per Capital Personal Income (2)	Median Age	Public Schools Enrollment (3)	Unemployment Rate (4)	Number of Building Inspections Performed (5)
\$	27,947	31.13	14,940	1.4%	1,607
	28,946	31.55	15,238	1.2%	2,645
	29,773	31.36	15,676	1.4%	1,844
	30,238	30.78	16,121	1.3%	2,994
	30,238	30.40	16,527	3.3%	2,106
	30,238	30.40	16,590	3.4%	1,945
	31,900	31.71	17,349	3.0%	2,047
	33,375	32.60	17,532	3.6%	2,153
	34,182	32.41	17,641	3.4%	2,402
	35,191	32.20	18,530	3.3%	1,745

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Principal Employers
Current Year and Nine Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
UNC-Chapel Hill	11,000	1	16.35%	9,772	1	15.35%
UNC Hospitals	6,956	2	10.34%	4,425	2	6.95%
Chapel Hill Carrboro City Schools	1,686	3	2.51%	1,500	4	2.36%
Blue Cross Blue Shield	1,612	4	2.40%	2,811	3	4.41%
Orange County Schools	1,031	5	1.53%	900	6	1.41%
Orange County Government	963	6	1.43%	621	7	0.98%
Town of Chapel Hill	678	7	1.01%	575	8	0.90%
A Southern Season	501	8	0.74%	325	9	0.51%
General Electric Corporation	501	9	0.74%	950	5	1.49%
Wal-Mart Stores, Inc	414	10	0.62%	206	10	0.32%

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	2007	2006	2005	2004
Government and management	60.00	60.00	53.00	35.80
General services	113.60	114.20	114.20	112.60
Community and environment	53.00	48.50	48.50	49.00
Human services	299.10	294.30	301.40	287.50
Public safety	206.00	202.50	202.50	202.50
Culture and recreation	32.60	31.10	31.10	30.10
Solid Waste Enterprise	40.00	43.00	43.00	43.00
Total	804.30	793.60	793.70	760.50

Source: County Finance Department.

Note. This table 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 2,080 hours per year (less vacation and sick leave). For purposes of this table the number of part-time employees has been divided by 2.5 to arrive at the full-time equivalents.

Table 15

2003	2002	2001	2000	1999	1998
35.80	35.80	35.80	35.80	34.75	32.50
110.40	110.40	109.40	111.40	108.35	105.20
44.00	44.00	44.00	39.00	35.00	34.10
286.44	285.44	274.97	267.40	261.40	251.90
194.50	176.50	172.50	171.50	159.50	153.50
30.10	29.10	25.60	25.60	24.40	24.10
38.00	34.00	-	-	-	-
739.24	715.24	662.27	650.70	623.40	601.30

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
With *Government Auditing Standards***

To the 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, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 20, 2007. We did not audit the financial statements of the Orange County ABC Board, the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Orange County ABC Board is based solely on the report 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 Orange County ABC 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies 07-4 and 07-5 described in the accompanying schedule of findings and questioned costs to be control deficiencies in internal control over financial reporting. We consider the deficiencies 07-1, 07-2 and 07-3 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 20, 2007

McGladrey & Pullen

Certified Public Accountants

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

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

Compliance

We have audited the compliance of Orange County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 federal programs for the year ended June 30, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-6 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 20, 2007

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's 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

To the 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, 2007. The County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major 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 of 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

McGladrey & Pullen, LLP

Greensboro, North Carolina
November 20, 2007

Orange County, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section I - Summary of Independent Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to federal awards noted?	<u> </u> Yes	<u> X </u> No

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

<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section .510(a)?	<u> X </u> Yes <u> </u> No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.561	Food Stamp Cluster
14.239	Home Investment Program
93.575, 93.596, 93.667, 93.558	Subsidized Child Care Program Cluster
93.658, 93.659	Foster Care and Adoption Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 2,232,576

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

Orange County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section I - Summary of Independent Auditor's Results (Continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to state awards noted? _____ Yes X No

Type of auditor's 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 X No

Identification of major State programs:

Names of State Program or Cluster

Subsidized Child Care Cluster
Medical Assistance Program - direct benefit payments
Foster Care and Adoption Cluster

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section II - Financial Statement Findings (Continued)

Finding: 07-1

Criteria: 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.

Condition: During the audit work it was noted that some purchased assets related to the Solid Waste Fund were not capitalized based on the County's policy for the capitalization of assets. Assets that require more than a year to construct and put into operation are normally put into a capital projects fund, but amounts related to start-up costs for a project were placed into the Solid Waste Enterprise Fund instead of the capital projects fund.

Effect: Understatement of capital assets.

Cause: The departments responsible for ensuring that amounts associated with extended projects failed to use accounting codes to place the approved expenditures in the capital projects fund.

Recommendation: Any item that is over the County's threshold for capitalization should be reviewed to determine if the related expenditure should be capitalized. Individuals involved with the project should be reporting to the County Finance department that a project has been started. This will enable the Finance Department to properly classify all capital expenditures.

View of Responsible Officials and Planned Corrective Action: Action has already been taken to set up the Solid Waste construction project in a capital project fund to properly account for the construction in progress over the next project year. This will serve to significantly enhance project accountability.

(Continued)

Orange County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section II - Financial Statement Findings (Continued)

Finding: 07-2

Criteria: The County can present the Schedule of Expenditures of Federal and State Awards ("SEFSA") on a different basis than that of the general purpose financial statements as long as the County can reconcile the amounts presented in the schedule to the amounts that show up in the general purpose financial statements.

Condition: During the audit work it was noted that some of the funding for federal and state programs that are not direct payments by the Federal or State governments could not be reconciled to the County's general ledger.

Effect: Potential over or understatement of revenues associated with expenditures incurred.

Cause: Individual departments receiving awards did not inform the Finance Office about which accounts in which to record the Award revenue. In addition, these departments do not reconcile the amounts shown on the SEFSA, as that function is handled by the Finance Office. As such, revenue on the SEFSA is recorded in various accounts in the County's general ledger making it difficult to reconcile.

Recommendation: Each department should be responsible for ensuring the accuracy of the information included in the SEFSA that is presented in the City's Comprehensive Annual Financial Report ("CAFR"). These departments should be required to put together a schedule of awards for the programs that they administer and reconcile such amounts back to the County's general ledger.

View of Responsible Officials and Planned Corrective Action: The County will include a complete reconciliation to the general ledger of all related grant expenditures in the work papers that accompany the schedule of financial assistance in all future reports.

(Continued)

Orange County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section II - Financial Statement Findings (Continued)

Finding: 07-3

Criteria: The external auditor cannot be a part of the County's internal control process.

Condition: During the audit several adjustments to account balances were recommended by the auditor. These recommended adjustments required the County to investigate the account balance.

Effect: Potential over or understatement of account balances and improper presentation in the County's CAFR.

Cause: Improper review of various accounting schedules to the general ledger and relying on external auditors to provide certain entries based on the audit.

Recommendation: Each schedule that is prepared should be reviewed to ensure that the balances in the various accounts are properly stated. Any unusual reconciling items should be investigated to determine if an improper posting has occurred in the account. Special attention to cutoff procedures and the method used to uncover unrecorded liabilities at the end of the fiscal year should be made to reduce the likelihood of audit-related entries.

View of Responsible Officials and Planned Corrective Action: Staff will pursue closing the books at year end earlier to provide for the performance of a more in-depth review of year-end account balances to prevent the adjustments mentioned. Reconciling items will also be given more attention during the next audit cycle.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section II - Financial Statement Findings (Continued)

Finding: 07-4

Criteria: As an employee leaves or is terminated all access by the employee to the County's system should be terminated on the same day the employee leaves or is terminated.

Condition: During the audit work it was noted that some terminated employees still had active access to the County's network after more than 6 months of being terminated.

Effect: Potential for damage to the County's network system by disgruntled employees.

Cause: Employees are terminated by Human Resources; however, the information is not submitted to the County's IT department in a timely manner in order to properly terminate all access to the County's system.

Recommendation: Information should be provided to the County's IT department when an employee leaves or is to be terminated by an approved Human Resource official. Then the County's IT department should timely remove access to the County's network system for that terminated employee.

View of Responsible Officials and Planned Corrective Action: Human Resources Director and IT have had discussions about this issue. The departments are in the process of developing a system in which automatic communication of terminated employees between the departments will take place promptly.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section II - Financial Statement Findings (Continued)

Finding: 07-5

Criteria: Under the consumption approach of inventory governments should report the inventories that are purchased as an asset and defer the recognition of an expenditure until the period in which the inventories are actually consumed.

Condition: During the audit work it was noted that inventory purchases in the Public Works Department and the related consumption of inventories were not properly adjusted through the inventory asset account.

Effect: Understatement of inventory assets.

Cause: Turnover in departments responsible for handling inventory did not take proper counts of inventory during the later part of the County's fiscal year end, and therefore, the physical count resulted in variances that could not be explained.

Recommendation: Monthly reconciliations should be performed by the employees in the Public Works Department. These employees need to be aware of the County's policies and procedures over the inventory process. This would help to eliminate any issues that may not get detected until the year end inventory.

View of Responsible Officials and Planned Corrective Action: County Finance Department staff became aware of this problem in the Public Works area prior to the close of the fiscal year and have met with the departmental staff. Inventory has been properly updated and a system to update and reconcile the inventory on a regular basis will be in place.

Orange County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Section III - Findings and Questioned Costs for Federal Awards

U.S. Department of Health and Human Services
Program Name: Medical Assistance Cluster
CFDA Number: 93.777
Category: Eligibility

Finding: 07-6

Criteria: The County has specific requirements as to what forms are required to be included in a recipient's file to determine recipient eligibility on top of the State-required documents.

Condition: During testing and through discussion with the client, we found 3 instances in a sample of 36 in which the County was not following its own internal policy.

Questioned Costs: These findings would not have an associated questioned cost as they would not have precluded the individuals from receiving benefits.

Effect: The County's internal control was not adequately followed.

Cause: Lack of reviews of individual files to ensure that the County policies were being followed.

Recommendation: We recommend that program personnel ensure that recipient files include all required documentation, including all documents required by the County's internal documentation policies.

View of Responsible Officials and Planned Corrective Action: We believe that these were isolated instances and will set up procedures to ensure that files are reviewed and that all required documentation is included.

Section IV - Findings and Questioned Costs for State Awards

None reported.

Orange County, North Carolina

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2007

Financial Statement Findings

Finding: 06-01

Summary of finding: 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. 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.

Corrective action taken: The management company has opened a bank account in the name of the SportsPlex to be able handle the operating deposits and disbursement of the facility.

Federal Award Findings

Finding: 06-02

Summary of finding: 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." It was noted that 1 file out of the 25 tested did not have a fee charged as required by the Compliance Supplement.

Corrective action taken: Extra reviews were put into place to follow up with accounting technicians regarding parent fee charges.

Orange County, North Carolina

Corrective Action Plan
Year Ended June 30, 2007

Finding:	07-1
Name of Contact Person:	Howard Fitts, Accountant
Corrective Action:	Action has already been taken to set up the Solid Waste construction project in a capital project fund to properly account for the construction in progress over the next project year. This will serve to significantly enhance project accountability.
Proposed Completion Date:	Already done.
Finding:	07-2
Name of Contact Person:	Kenneth Chavious, Finance Director
Corrective Action:	The County will include a complete reconciliation to the general ledger of all related grant expenditures in the work papers that accompany the schedule of financial assistance in all future reports.
Proposed Completion Date:	We expect to do a complete reconciliation with the next submission of the Schedule of Expenditures of Federal and State Awards for the fiscal year ending June 30, 2008.
Finding:	07-3
Name of Contact Person:	Kenneth Chavious, Finance Director
Corrective Action:	Staff will pursue closing the books at year end earlier to provide for the performance of a more in-depth review of year-end account balances to prevent the adjustments mentioned. Reconciling items will also be given more attention during the next audit cycle.
Proposed Completion Date:	This will be a part of the next year-end closing for the fiscal year ended June 30, 2008.

(Continued)

Orange County, North Carolina

Corrective Action Plan (Continued)
Year Ended June 30, 2007

Finding:	07-4
Name of Contact Person:	Michael McGinnis, Human Resources Director and Todd Jones, IT Director
Corrective Action:	Human Resources Director and IT have had discussions about this issue. The departments are in the process of developing a system in which automatic communication of terminated employees between the departments will take place promptly.
Proposed Completion Date:	January 2008
Finding:	07-5
Name of Contact Person:	Kenneth Chavious, Finance Director and Wilbert McAdoo, Public Works
Corrective Action:	County Finance Department staff became aware of this problem in the Public Works area prior to the close of the fiscal year and have met with the departmental staff. Inventory has been properly updated and a system to update and reconcile the inventory on a regular basis will be in place.
Proposed Completion Date:	December 2008
Finding:	07-6
Name of Contact Person:	Nancy Coston, Director of Social Services
Corrective Action:	We believe that these were isolated instances and will set up procedures to ensure that files are reviewed and that all required documentation is included.
Proposed Completion Date:	December 2008

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2007

Federal Grantor/Program Title	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
Federal Awards:				
U. S. Department of Agriculture:				
Direct Program:				
Soil And Water Conservation	10.902	\$ 56,490	\$ -	\$ 227,802
Passed-Through N. C. Department of Health and Human Services:				
Division of Social Services:				
Food Stamp Cluster:				
Food Stamps - direct benefit payments	10.561	7,158,135	-	-
Food Stamps Administration	10.561	517,597	-	517,597
Food Stamp Fraud Admin	10.561	36,215	-	36,215
Food Stamps E&T & Depend Care	10.561	4,863	-	4,863
Total Food Stamp Cluster		7,716,810	-	558,675
Total U. S. Department of Agriculture		7,773,300	-	786,477
U. S. Department of Housing and Urban Development:				
Direct Programs:				
Lower Income Housing Assistance:				
Section 8 Vouchers	14.182	4,467,308	-	-
Home Investment Partnership Program	14.239	98,848	-	624,011
Cooperative Fair Housing Assistance Program	14.401	37,780	-	-
Passed-Through N.C. Department of Commerce:				
Division of Community Assistance:				
Community Development Block Grant - Small Cities	14.219	6,625	-	-
Total U. S. Department of Housing and Urban Development		4,610,561	-	624,011
U. S. Department of Justice - Office of Justice Programs:				
Passed-through N.C. Department of Justice:				
Local Law Enforcement Block Grant	16.592	5,744	-	-
COPS More	16.710	14,922	-	14,367
COPS in School	16.710	180,000	-	-
Passed-Through the City of Durham:				
COPS Overtime Program Grant	16.710	615,049	-	320,516
Total U. S. Department of Justice		815,715	-	334,883
U. S. Department of Transportation:				
Passed-Through N. C. Department of Transportation:				
Governor's Highway Safety Program	20.600	11,655	-	-
U.S. Election Assistance Commission:				
Passed Through N.C. State Board of Elections:				
HAVA Grant	90.401	10,124	-	-
Total U. S. Department of Transportation		21,779	-	-

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2007

Federal Grantor/Program Title	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
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 Aging and Adult Services: Development Aging Cluster: Grants for Supportive Services and Senior Centers	93.044	\$ 153,919	\$ -	\$ 1,118,352
Division of Child Development: Subsidized Child Care Cluster: Child Care Development Fund-Administration	93.596	164,587	-	-
Child Care and Development Fund - Discretionary	93.575	1,612,712	-	-
Child Care and Development Fund - Mandatory	93.596	654,971	-	-
Child Care and Development Fund - Match	93.596	180,120	99,721	-
Social Services Block Grant	93.667	74,264	-	-
Temporary Assistance for Needy Families	93.558	600,129	-	-
State Appropriations		-	496,999	-
TANF-MOE		-	434,692	-
Total Subsidized Child Care Cluster		3,286,783	1,031,412	-
Division of Medical Assistance: Medical Assistance Cluster: Medical Assistance Program - direct benefit payments	93.778	50,128,113	24,277,124	4,273,671
Adult Care Home Case Management	93.778	38,158	23,484	14,674
Medicaid Expansion	93.778	10,102	10,102	-
Medical Assistance Administration	93.778	876,525	-	876,525
Medical Transportation Administration	93.778	10,464	-	10,464
Medical Transportation Services	93.778	70,130	33,142	5,848
Total Medical Assistance Cluster		51,133,492	24,343,852	5,181,182
Division of Public Health: Family Planning	93.217	67,739	-	390,986
Immunization Program/Aid to County Funding	93.268	36,995	-	213,533
Bioterrorism Grant	93.283	105,334	-	607,982
Center for Disease Control and Prevention	93.283	14,000	-	80,807
Temporary Assistance for Needy Families	93.558	7,650	-	44,155
HIV State Funds - Sexually Transmitted Diseases Communicable Disease Expansion Budget	93.940	31,000	-	178,930
Statewide Health Promotion Program	93.991	14,728	-	85,009
Maternal and Child Health Services Block Grant	93.994	207,430	-	1,197,274
Total Division of Public Health		484,876	-	2,798,676

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2007

Federal Grantor/Program Title	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
Division of Social Services:				
Social Services Block Grant	93.667	\$ 267,172	\$ 34,905	\$ 100,692
Social Services Block Grant - In Home Services	93.667	94,240	-	13,463
Social Services Block Grant - Adult Daycare	93.667	532	995	218
TANF-Domestic Violence	93.558	25,643	-	-
TANF- Work First Admin	93.558	178,890	-	146,894
TANF- Work First Service	93.558	967,579	-	1,045,991
TANF- Payments & Penalties	93.558	925,666	(65)	-
AFDC Payments & Penalties	93.560	(341)	(93)	(93)
Crisis Intervention Payments	93.568	240,857	-	-
Low Income Energy Administration	93.568	19,115	-	-
Energy Assistance Payment	93.568	208,960	-	253
Refugee Assistance Payment	93.566	1,684	-	-
Adolescent Parenting	93.645	57,248	18,990	39,691
Permanency Planning - Regular	93.645	30,870	10,290	-
Permanency Planning - Spec	93.645	8,652	-	2,884
IV-B Adopt Guardianship	93.645	4,185	1,395	-
NC Health Choice	93.767	30,463	2,663	7,509
Independent Living - LINKS	93.674	3,586	1,305	-
Links Transitional Funds	93.674	4,851	-	-
Links	93.674	25,705	6,426	-
IV-D Administration	93.563	658,144	-	339,044
IV-D Offset Fees - Esc	93.563	228	-	117
IV-D Offset Fees - Federal	93.563	1,861	-	959
Foster Care and Adoption Cluster:				
IV-E CPS	93.658	448,632	153,067	295,565
IV-E Foster Care/OErTm	93.658	15,561	-	5,187
IV-E Foster Care/ Off Trn	93.658	446,868	-	446,868
IV-E Waiver	93.658	9,286	-	9,286
IV-E Admin County Paid to CCI	93.658	1,461	-	1,461
IV-E Foster Care	93.658	153,070	42,561	42,561
Foster Care	93.658	409,412	-	77,659
IV-E Foster Care in Excess	93.658	35,326	-	19,680
IV-E Waiver Foster Care	93.658	28,967	8,130	8,130
IV-E Optional Adoption	93.659	23,877	-	23,877
IV-E Adopt Guardianship	93.659	2,312	654	654
IV-E Adopt Subsidy & Vendor	93.659	402,735	111,968	111,968
IV-E Adoption Training	93.659	8,201	-	2,734
Total Foster Care and Adoption Cluster		1,985,708	316,380	1,045,630
Total Division of Social Services		5,741,498	393,191	2,743,252
Total U. S. Department of Health and Human Services		60,800,568	25,768,455	11,841,462

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2007

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	\$ 60,251	\$ -	\$ 84,580
U. S. Department of Homeland Security:				
Passed-Through N. C. Department of Crime Control and Public Safety Emergency Management:				
Emergency Management Performance Grant	97.042	234,589	137,747	-
Hazard Mitigation Grant	97.039	94,457	-	-
Passed-Through the City of Durham:				
CERT Program Grant	97.054	8,000	-	-
Total U. S. Department of Homeland Security		337,046	137,747	-
State Awards:				
N. C. Department of Health and Human Services:				
Division of Social Services:				
AFDC Incent/Prog Integrity		-	70	-
TANF Incent/Prog Integrity		-	398	-
CPS Expansion		-	47,970	-
CWS Adopt Subsidy & Vendor		-	154,728	39,961
State/County Special Assistance Domiciliary Care Payment				
		-	711,796	711,796
F/C at risk maximization		-	27,327	15,251
State Foster Home		-	57,214	57,214
State Aid to Counties		-	58,851	-
State County Special Assistance		-	-	53,686
Work First Non Reimbursable		-	-	58,622
Non-Allocating County Cost		-	-	628,238
County Funded Programs		-	-	1,473,939
Total Division of Social Services		-	1,058,354	3,038,707
Office of Juvenile Justice:				
Community Based Alternatives	536920	-	273,451	-
Division of Public Health:				
General		-	156,601	903,892
Communicable Disease		-	3,708	21,402
Tuberculosis		-	12,995	75,006
Risk Reduction/Health Promotion		-	9,125	52,669
TB Medical Services		-	1,776	10,251
Total Division of Public Health		-	184,205	1,063,220
Total N. C. Department of Health and Human Services		-	1,516,010	4,101,927

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2007

Federal Grantor/Program Title	CFDA Number/ Grant Number	Federal Expenditures	State Expenditures	Local Expenditures
N. C. Department of Transportation:				
Rural Operating Assistance Program Cluster		\$ -	\$ 165,868	\$ -
Human Service Transportation Management Program		-	151,024	-
Total N. C. Department of Transportation		-	316,892	-
N. C. Department of Cultural Resources:				
State Arts Grant	0010410	-	36,461	-
Division of State Library:				
Passed-Through Hyconeechee Regional Library:				
State Aid to Public Libraries		-	134,018	983,789
Total N. C. Department of Cultural Resources		-	170,479	983,789
N. C. Department of Crime Control and Public Safety:				
Bioterrorism State Funds	536961: 4514-4517	-	105,023	-
N. C. Division of Health Services:				
Bioterrorism State Funds		-	27,456	-
N. C. Department of Public Instruction:				
Public School Building Capital Fund:				
N.C. Education Lottery Proceeds		-	2,115,175	-
Corporate income tax collections		-	1,416,062	-
Total Public School Building Capital Fund		-	3,531,237	-
Total State awards		-	5,667,097	5,085,716
Total expenditures		\$ 74,419,220	\$ 31,573,299	\$ 18,757,129

See Note to Schedule of Expenditures of Federal and State Awards.

Note to Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Accounting

The Schedule of Expenditures of Federal and State Awards is prepared on the cash basis of accounting with the exception of the Medical Assistance Cluster and Subsidized Child Care Cluster, which are presented on the accrual basis of accounting.

Subsidized Child Care Cluster revenues recognized under Child Support Enforcement, CFDA 93.563, include incentive payments received from the federal grantor agency.