

ORANGE COUNTY

North Carolina



New Animal Services Facility

Comprehensive Annual Financial Report
Year ended June 30 2009

Comprehensive Annual Financial Report

Year Ended June 30, 2009



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Chair, Board of County Commissioners

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Introductory Section

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January 18, 2010

The Board of County Commissioners,
Frank Clifton, 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, 2009.

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 principles 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, 2009, 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.

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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 is part of the 13 county Research Triangle Regions. This area continues to experience growth and is considered among the most desirable areas of the country to live and work. The region added over 110,000 jobs in the last five years. Research Triangle park was named the #1 High-Tech Region by the Silicon Valley Leadership Group and the region was named the #1 Region for Biotechnology by the Milken Institute.

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 2008 was 4.0% and for September 2009 was 6.3%, one of the lowest in the State. (State average was 10.4% for September 6.3% for calendar year 2008.)

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, more than 170 private and governmental organizations have located facilities in the Park. According to the Research Triangle Foundation, the Park represents a capital investment exceeding \$2.8 billion. As of July, 2008, approximately 42,000 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 Park's 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 The adopted 2009-2010 budget included General Fund appropriation of \$177.6 million which is a reduction of \$8.1 million from prior years' original budget. Reflective of previous fiscal years, the County continued its traditional commitment to public schools earmarking nearly one-half of the County's 2009-2010 General Fund Budget of \$177 million for education. Property was revalued in 2009. The Board adopted a revenue neutral tax rate of .858 cents per hundred for Fiscal 2009-10 which reduced the tax rate to generate the same revenue as the previous fiscal year. The assessed value for the upcoming year is estimated to be nearly 15.4 billion with a tax rate of \$0.858 per \$100 of value year. There is no appropriation from fund balance in the 2009-10 budget which should help to stabilize the fund balance as the County deals with the flat and declining revenues which have resulted from the current economic crisis. The Board's adoption of a revenue neutral tax rate reflects their desire to not increase the burden on the citizens during these difficult times. The County's financial underpinnings remain strong and stable.

In the capital improvement area county facilities will be further developed including the construction and purchase of county facilities, of parkland and open space and the provision of affordable housing opportunities for County Citizens as a result of financing issued during fiscal 2008-09. The county acquired top two floors of the new Gateway Center which was completed this fiscal year and in the first half of 2009-10 will acquire an office building and library building which along with the Gateway Center will complete the County Campus in Hillsborough. In the upcoming fiscal year the County plans to issue some additional Alternative Financing under the Qualified School Construction Bond Program as well as other Alternative Financing. The total amount will be between \$13.5 and \$23 million depending on whether some of the debt is deferred until the following fiscal year. Additionally Construction of an 11th elementary school for the Chapel Hill Carrboro School District is in the planning stages however that will not be financed until fiscal year 2010-11 or 2011-12.

Fiscal Policy The County continues to operate within its current financial policies this fiscal year despite the challenges it has faced during the economic downturn and it is anticipated that it will be able to do so in the upcoming fiscal year. The Board and County Manager acted during the year to hold down expenditures to reduce the impact of the downturn on the County's fiscal position. The actions primarily took the form of delaying hiring for vacant positions and requesting that departments take action to reduce operating expenses, fuel usage and travel. The reduction of the budget by \$8.1 million in fiscal year 2009-10 and the desire to have little or no tax increase in 2010-11 means that the County's debt service as a percentage of budget will be higher than 15% which is the goal the County wishes to strive to maintain. The Board has set an Available fund balance minimum of 8%; however it has a goal of being able to reach 15%. Over the past several fiscal years the County has steadily moved toward this goal and had nearly reached it however the current year reversed this trend. The Board intends to discuss its current debt service and fund balance policies during the upcoming process to better define these policies and set a firmer basis for the fund balance to improve financial stability.

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, 2008. This marks the twenty-sixth 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 2008 annual budget document. This is the 17th 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 2010 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, Certified Public Accounts for their assistance.

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

Respectfully submitted,



Clarence G. Grier, CPA
Financial Services Director

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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, 2008

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 stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

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

Executive Director

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Board of County Commissioners

June 30, 2009



Valerie Foushee Chair

Mike Nelson Vice Chair

Alice M. Gordon

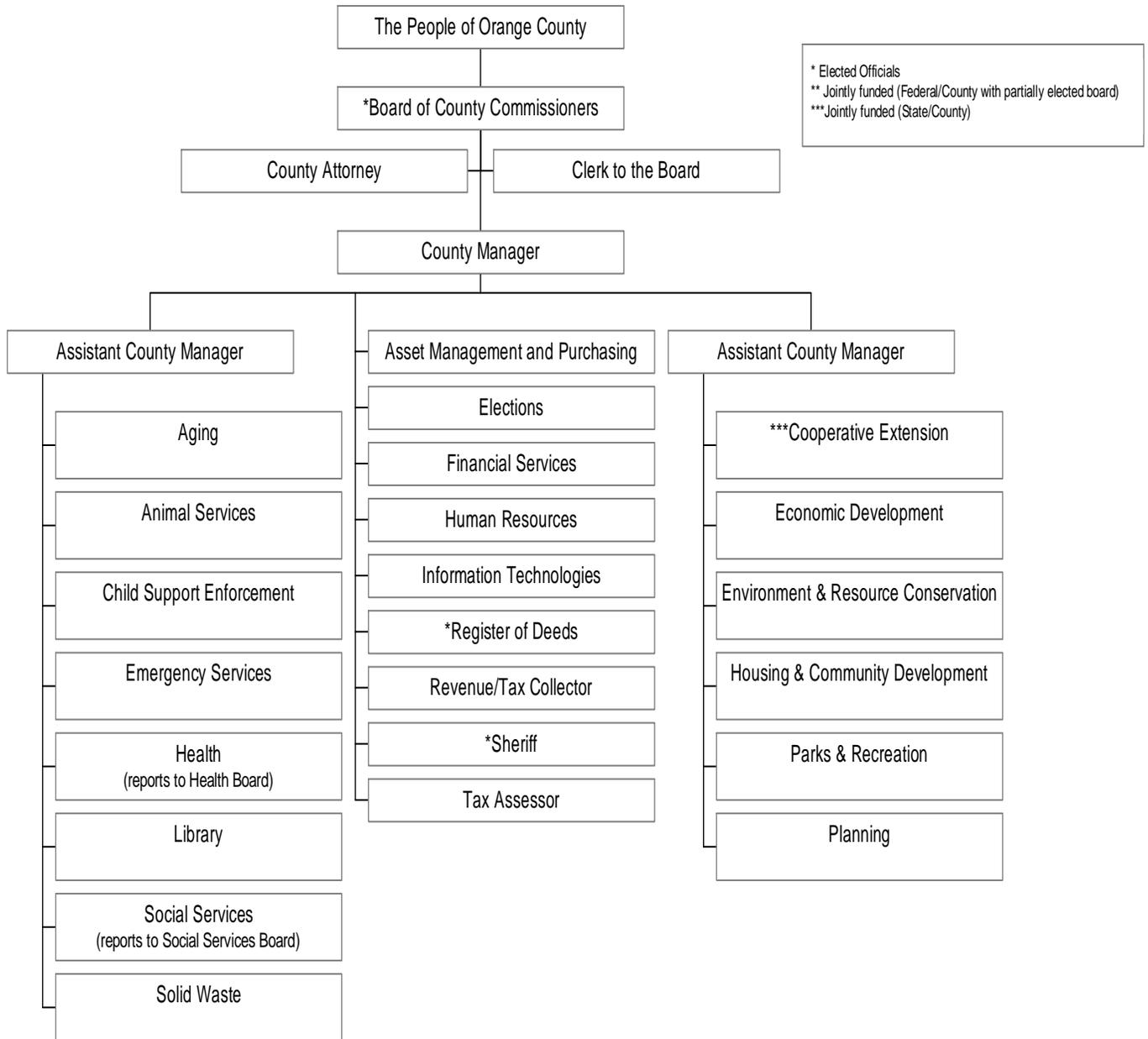
Pam Hemminger

Barry Jacobs

Bernadette Pelissier

Steve Yuhasz

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, the discretely presented component unit, 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, 2009, 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. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2010 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 Required Supplementary Information on pages 4 through 15 and 66 through 69, 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 on 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, 2009 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
January 15, 2010

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

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, 2009. 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 approximately \$91.3 million (net assets). In accordance with North Carolina law, liabilities of the County include approximately \$144.8 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 approximately \$5.7 million. This increase results from a reduction of expenditures incurred for Other Postemployment Benefits ("OPEB") related to the retiree healthcare over the prior year and a reduction in expenditures on school capital projects and other projects owned by other entities.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$72.6 million an increase of approximately \$10.0 million in comparison with the prior year. This results mainly from the receipt of proceeds from debt financing and other sources of capital project financing totaling approximately \$39.3 million in the current year. Approximately 81.9% of the ending fund balance or approximately \$59.5 million is available for spending at the government's discretion (unreserved fund balance). Of this amount approximately \$32.5 million has been designated for subsequent year's expenditures for capital purposes and approximately \$27.0 million is undesignated.

At the end of the current fiscal year, unreserved fund balance for the general fund was approximately \$21.0 million or 12.2% of total general fund expenditures for the fiscal year.

The County maintained its AAA (Fitch IBCA), Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's) bond ratings on general obligation bonds for the 12th consecutive year. Fitch conducted a ratings review subsequent to the end of the fiscal year and reaffirmed the County's AAA rating.

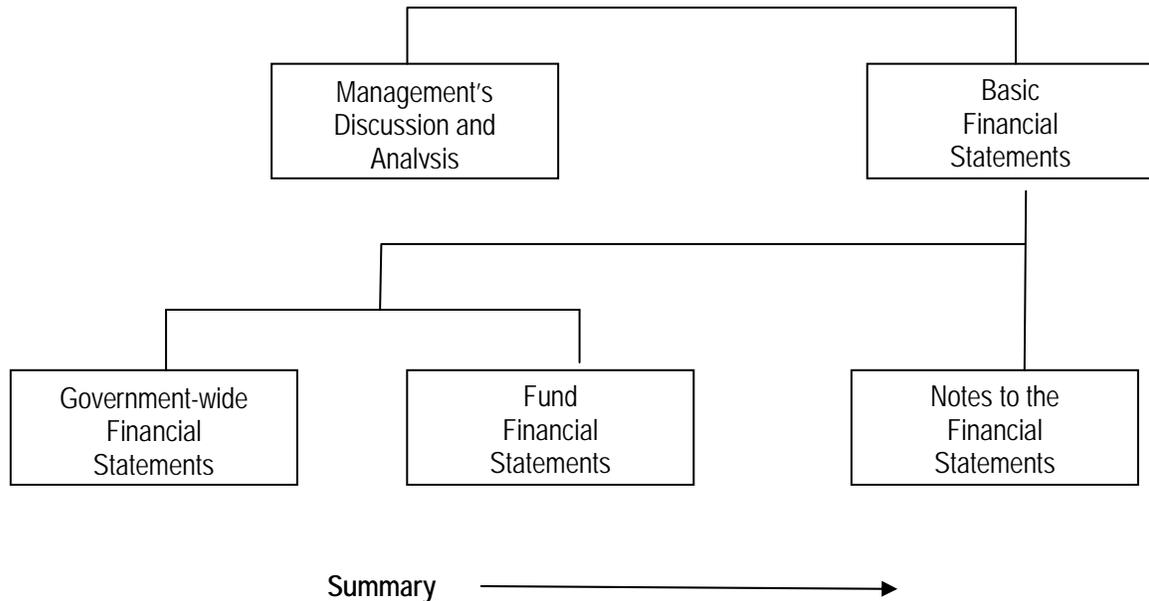
Overview of the Financial Statements

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 (Unaudited)

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.

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 non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Management's Discussion and Analysis (Unaudited)

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 17 through 19 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 (Unaudited)

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 seven 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 32 - 65 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 66 of this report.

The County's Net Assets

Figure 2

Orange County's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------------------|--------------------------|----------------------|------------------------|------------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current and other assets | \$ 84,366,025 | \$ 78,395,472 | \$ 10,187,962 | \$ 10,712,092 | \$ 94,553,987 | \$ 89,107,564 |
| Capital assets | 77,798,925 | 57,755,786 | 18,054,634 | 13,272,691 | 95,853,559 | 71,028,477 |
| Total assets | 162,164,950 | 136,151,258 | 28,242,596 | 23,984,783 | 190,407,546 | 160,136,041 |
| Long-term liabilities outstanding | 251,630,375 | 228,776,941 | 17,802,493 | 12,207,286 | 269,432,868 | 240,984,227 |
| Other liabilities | 11,186,922 | 15,298,215 | 1,003,204 | 793,025 | 12,190,126 | 16,091,240 |
| Total liabilities | 262,817,297 | 244,075,156 | 18,805,697 | 13,000,311 | 281,622,994 | 257,075,467 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 15,390,929 | 10,104,943 | 7,932,387 | 6,705,214 | 23,323,316 | 16,810,157 |
| Unrestricted (deficit) | (116,043,276) | (118,028,841) | 1,459,512 | 4,279,258 | (114,583,764) | (113,749,583) |
| Total net assets (deficit) | \$ (100,652,347) | \$ (107,923,898) | \$ 9,391,899 | \$ 10,984,472 | \$ (91,260,448) | \$ (96,939,426) |

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

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 approximately \$91.3 million as of June 30, 2009. Net assets are reported in two categories: Invested in capital assets, net of related debt of approximately \$23.3 million and unrestricted net deficit of approximately \$114.6 million.

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. For the year ended June 30, 2009, there was an increase of approximately \$6.5 million in the County's investment in capital assets, net of related debt.

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, 2009, the total net deficit reported of approximately \$91.3 million is attributable to the unrestricted net deficit balance of (\$114.6) million which results primarily from the debt financing related to school assets.

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 \$144.8 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 non-general 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 approximately \$5.7 million. This increase resulted from a combination of a decrease in expenses and to a lesser degree an increase in revenue in governmental activities. This was in part offset by an increase in expenses in Business-Type Activities. The expense incurred for the current year related to OPEB decreased by approximately \$4.1 million from the prior year. In addition, the following positive operational initiatives and results are noted:

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

- 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 97%.
- The County continued to lead the State in per pupil funding for education.
- The County used proceeds from two installment purchase financings to provide funding for construction of a new Animal Services Facility, purchase of two floors of an Office Condominium, and a contribution to the Town of Chapel Hill for an aquatic center. The remaining proceeds will be used to provide Affordable Housing, purchase an Office Building and new Main Library through a design build process, provide additional park facilities and open space, and a new appraisal and tax collection system.

The unrestricted fund balance in the County's general fund reflected a decrease of approximately \$4.8 million from the prior year. This decrease, which occurred primarily from the use of fund balance to provide additional capital funding, is not expected to reoccur. Unrestricted fund balance is expected to stabilize and increase in future fiscal years as the Board is able to address this with the return of improved economic conditions.

The County's Changes in Net Assets

Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------------|--------------------------|----------------------|------------------------|------------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 11,707,014 | \$ 12,233,135 | \$ 10,233,917 | \$ 10,624,806 | \$ 21,940,931 | \$ 22,857,941 |
| Operating grants and contributions | 23,255,128 | 23,447,199 | 401,180 | 198,046 | 23,656,308 | 23,645,245 |
| Capital grants and contributions | 5,900,817 | 1,648,654 | - | - | 5,900,817 | 1,648,654 |
| General revenues: | | | | | | |
| Property taxes | 130,773,568 | 122,093,823 | - | - | 130,773,568 | 122,093,823 |
| Other taxes | 19,736,772 | 24,058,200 | - | - | 19,736,772 | 24,058,200 |
| Other | 2,793,434 | 4,406,788 | 148,956 | 277,980 | 2,942,390 | 4,684,768 |
| Total revenues | 194,166,733 | 187,887,799 | 10,784,053 | 11,100,832 | 204,950,786 | 198,988,631 |
| Expenses: | | | | | | |
| Governing and management | 10,816,693 | 14,898,928 | - | - | 10,816,693 | 14,898,928 |
| General services | 18,730,842 | 12,422,454 | - | - | 18,730,842 | 12,422,454 |
| Community and environment | 10,932,997 | 20,065,425 | - | - | 10,932,997 | 20,065,425 |
| Human services | 37,604,903 | 38,842,566 | - | - | 37,604,903 | 38,842,566 |
| Education | 74,276,350 | 86,812,048 | - | - | 74,276,350 | 86,812,048 |
| Public safety | 20,166,400 | 23,399,912 | - | - | 20,166,400 | 23,399,912 |
| Culture and recreation | 3,751,394 | 3,191,198 | - | - | 3,751,394 | 3,191,198 |
| Interest on long-term debt | 9,539,848 | 10,501,269 | - | - | 9,539,848 | 10,501,269 |
| Landfill | - | - | 10,036,966 | 8,342,749 | 10,036,966 | 8,342,749 |
| Sewer | - | - | 269,822 | 193,535 | 269,822 | 193,535 |
| SportsPlex | - | - | 3,145,593 | 2,800,482 | 3,145,593 | 2,800,482 |
| Total expenses | 185,819,427 | 210,133,800 | 13,452,381 | 11,336,766 | 199,271,808 | 221,470,566 |
| Increase (decrease) in net assets before contributions and transfers | 8,347,306 | (22,246,001) | (2,668,328) | (235,934) | 5,678,978 | (22,481,935) |
| Transfer of capital assets | (504,375) | (2,225,060) | 504,375 | 2,225,060 | - | - |
| Transfers | (571,380) | (2,066,025) | 571,380 | 2,066,025 | - | - |
| Total contributions and transfers | (1,075,755) | (4,291,085) | 1,075,755 | 4,291,085 | - | - |
| Increase (decrease) in net assets | 7,271,551 | (26,537,086) | (1,592,573) | 4,055,151 | 5,678,978 | (22,481,935) |
| Net assets (deficits), beginning (as restated) | (107,923,898) | (81,386,812) | 10,984,472 | 6,929,321 | (96,939,426) | (74,457,491) |
| Net assets (deficit), ending | \$ (100,652,347) | \$ (107,923,898) | \$ 9,391,899 | \$ 10,984,472 | \$ (91,260,448) | \$ (96,939,426) |

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

Governmental activities Governmental activities increased the County's net assets by approximately \$7.3 million. Key elements of this increase are as follows:

- Increased property tax revenue.
- An increase in Capital Grants and contributions due to an increase in the Schools receiving a capital grant from the NC Department of Public Instruction in the amount of approximately \$3.0 million.
- Decreased expenditures in Governing and Management due to reclassifying departments and a decrease in the amount of OPEB expenses incurred during the year.
- Decreased expenditures in Public Safety as a result of the decrease in OPEB expense
- Decreased expenditures in Community and Environment related primarily to a decrease in contributions to construction of park facilities owned by the Town of Chapel Hill and the acquisition of property easements.
- Decreased expenditures in Education related to contributions for the construction of school facilities owned by the two school systems.
- Decreased expenditures in Governing and Management due to the re-organizing department within the County and decreased OPEB expense incurred during the year.

Business-type activities Business-type activities decreased the County's net assets by approximately \$1.6 million. This decrease came from increases in operating losses in each of the three business activities combined with decreases in operating transfers and the fact that there were no capital contributions. The operating transfer decrease occurred as a result of transferring the largely refuse collection activity from the General Fund to the Solid Waste Fund and eliminating the General Fund subsidy.

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 approximately \$ 21.0 million, while total fund balance equaled approximately \$ 30.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures and transfers. Undesignated fund balance represents 11.4% of total General Fund expenditures and transfers, while total fund balance represents 16.4% of that same amount. The decrease in fund balance resulted from increases in expenditures for County and School capital projects.

Management's Discussion and Analysis (Unaudited)

General Fund revenue at approximately \$175.1 million was approximately \$4.1 million under budget, an increase of 2.2%. Property tax revenue which makes up 71.4% of General Fund budgeted revenue was approximately \$.2 million under budget. Property tax increased by approximately \$8.6 million from last year or 7.2% from last year primarily due to the increase in the tax rate. Sales tax revenue which is the second largest revenue source decreased by approximately \$4.5 million from last year to approximately \$18.1 million. An 8.75% decline in sales tax revenue was projected to occur due to the implementation of a tradeoff of giving the state the proceeds of a one cent local sales tax in return for the state assuming the local share of Medicaid funding which was partially implemented in fiscal year 2009. A small decline in Sales Tax was anticipated due to worsening economic conditions however the actual results reflected a more severe economic decline than anticipated. Revenue came in under budget in all major areas including Intergovernmental revenue which reflected a normal increase. Intergovernmental revenue increased by 4.5% to approximately \$18.3 million largely reflecting increases in State and Federal grant revenue related to areas which provide economic assistance to individuals and families. The economic conditions affected other revenue sources to some extent. Investment earnings declined by approximately \$1.0 million in part due to a decline in interest rates. Charges for services declined by approximately \$.35 million or 3.8%. The two areas accounting for the decline were Register of Deed fees, land record fees and Inspection Fees which are related to property sales and financing activity, which have both declined in the recession.

General Fund expenditures increased approximately \$10.5 million from last year to approximately \$172.1 million. Expenditures were approximately \$7.7 million or 4.3% under budget which is below last year which was 3.2% below budget. This can be attributed in part to managements' directive to departments to reduce non-essential expenditures, a freeze on capital expenditures and delayed filling of vacant positions. This step mitigated the decline in the undesignated fund balance of the General Fund. Expenditures grew by 6.5% from the previous fiscal year which is less than the increase in the final budget from the prior year of 7.7%. Education had the largest increase growing by approximately \$4.3 million or 7.2% as the Board maintained its commitment to school funding. Debt Service increased by approximately \$2.0 million primarily due to principal payments beginning on debt issued at the end of 2007. General Services' expenditures increased approximately \$2.0 million due to an increase in Sanitation expenditures resulting from the transfer of this function back to the General Fund. Other areas showed smaller increases which generally related to normal operating increases.

The County and school capital improvement funds reflected increases in fund balance of approximately \$15.3 million and approximately \$1.9 million, respectively. The increase in the County capital project fund is primarily a result of receiving proceeds from debt issuance of approximately \$38.7 million and pay-as-you-go transfers from the General Fund of approximately \$2.7 million offset by expenditures on a variety of projects. The school capital project fund increase was primarily the result of the receipt of approximately \$8.4 million from the transfer of pay-as-you-go revenue from the General Fund and approximately \$2.0 million in state lottery funds offset by project expenditures.

At June 30, 2009, the governmental funds of the County reported a combined fund balance of approximately \$72.6 million, an increase of approximately \$10.0 million from last year. This increase is attributable mainly to the receipt of debt proceeds in the County capital project fund.

Management's Discussion and Analysis (Unaudited)

Proprietary Funds

As mentioned previously in Business-Type Activities, the net assets in the enterprise funds decreased by approximately \$1.6 million. This decrease came primarily from increases in operating losses in each of the three business activities combined with decreases in operating transfers and the fact that there was no capital contribution. Revenue decreased slightly in both the Solid Waste Enterprise Fund and Efland Sewer Fund while expenses increased in all three enterprise funds including the SportsPlex Fund. The most significant increase in expenses related to postclosure costs in the Solid Waste Enterprise Fund which went up by approximately \$1.8 million.

General Fund Budgetary Highlights. During the 2009 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 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 2009, the County's contribution to education funding, including operations, short- and long-range capital needs and debt service obligations, totaled approximately \$93.8 million, over 42 percent of the total governmental funds expenditures for the year.

The County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) carryover of funding for outstanding purchase orders at year end related to significant commitments and projects; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. In 2009 an additional appropriation from fund balance during the year of approximately \$3.5 million was necessary to provide additional funding for capital projects. Total amendments to the General Fund increased appropriations by approximately \$9.2 million.

Proprietary Funds The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets in the proprietary funds at the end of the fiscal year amounted to approximately \$1.5 million. As previously indicated, the decrease in net assets for the proprietary funds was approximately \$1.6 million. The primary factors affecting the decrease 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, 2009, totals approximately \$95.8 million (net of accumulated depreciation). These assets include land, buildings, automotive equipment, office and other equipment, and sewer lines.

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

Major capital asset transactions during the year include:

- The purchase of the Gateway Office Condominium
- The completion of a significant number of new County facilities including the Animal Services Facility, Solid Waste Administrative Building, Emergency Services Operations Center, a second Senior Center adjacent to the SportsPlex, a major renovation to the SportsPlex Facility and a major addition to the Justice Facility.
- Purchased various office equipment for day-to-day operations.
- Purchased landfill equipment.
- Continued construction of new County facilities.
- Purchased Sheriff vehicles and other vehicles.

The County's Capital Assets (net of depreciation)

Figure 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Land | \$ 13,008,016 | \$ 10,425,530 | \$ 1,907,609 | \$ 1,907,609 | \$ 14,915,625 | \$ 12,333,139 |
| Land improvements | - | - | 703,850 | 232,195 | 703,850 | 232,195 |
| Water resources, Lake Orange | 481,624 | 481,624 | - | - | 481,624 | 481,624 |
| Buildings | 53,557,070 | 16,034,806 | 9,626,294 | 5,349,007 | 63,183,364 | 21,383,813 |
| Sewer lines | - | - | 2,912,516 | 780,152 | 2,912,516 | 780,152 |
| Automotive equipment | 1,500,593 | 1,497,779 | - | - | 1,500,593 | 1,497,779 |
| Office and other equipment | 1,437,989 | 1,369,635 | 2,684,431 | 2,289,435 | 4,122,420 | 3,659,070 |
| Construction in progress | 7,813,633 | 27,946,412 | 174,934 | 2,714,293 | 7,988,567 | 30,660,705 |
| Total | \$ 77,798,925 | \$ 57,755,786 | \$ 18,009,634 | \$ 13,272,691 | \$ 95,808,559 | \$ 71,028,477 |

Additional information on the County's capital assets can be found in Note 4 of the Basic Financial Statements.

Long-Term Debt As of June 30, 2009, the County had total bonded debt outstanding of approximately \$121.4 million all of which is debt backed by the full faith and credit of the County. In addition the County has several capital leases related to equipment financings outstanding of approximately \$3.8 million and several installment notes with a total outstanding balance of approximately \$121.7 million. A summary of total long-term debt and other long-term liabilities is shown in Figure 5.

General Obligation, Capital Leases, Installment Notes Payable, Postclosing and Postemployment Benefit Liabilities

Figure 5

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| General obligation bonds | \$ 121,415,000 | \$ 130,290,000 | \$ - | \$ - | \$ 121,415,000 | \$ 130,290,000 |
| Obligations under capital leases | 2,382,346 | 903,355 | 1,442,894 | 1,147,582 | 3,825,240 | 2,050,937 |
| Installment notes payable | 113,038,877 | 86,838,352 | 8,634,353 | 5,419,895 | 121,673,230 | 92,258,247 |
| Bond issuance items, net | (549,389) | (540,103) | - | - | (549,389) | (540,103) |
| Accrued compensated absences | 3,384,047 | 3,203,776 | 185,311 | 242,271 | 3,569,358 | 3,446,047 |
| Separation allowance | 464,777 | 494,264 | - | - | 464,777 | 494,264 |
| Post closing liability | - | - | 6,901,744 | 5,000,308 | 6,901,744 | 5,000,308 |
| OPEB liability | 11,494,717 | 7,587,297 | 638,191 | 397,230 | 12,132,908 | 7,984,527 |
| Total long-term debt | \$ 251,630,375 | \$ 228,776,941 | \$ 17,802,493 | \$ 12,207,286 | \$ 269,432,868 | \$ 240,984,227 |

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

The County's total debt increased by approximately \$28.5 million or 11.8% during the past fiscal year. The increase is mainly due to the issuance of additional installment Notes Payable in the amount of approximately \$37.4 million and the increase in the Other Employee Benefits Obligation of approximately \$4.1 million partially offset by principal payments made during the year.

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 ratings 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 limit for the County is approximately \$1,026 million. The County has approximately \$246.9 million total net debt applicable to the limit. The County has \$6,900,000 in bonds authorized but unissued at June 30, 2009.

Additional information regarding the County's long-term debt can be found in Note 6 on pages 47 - 51 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 businesses. 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 January 2010 was 4.7%, one of the lowest in the State.

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.

Orange County, North Carolina

Management's Discussion and Analysis (Unaudited)

According to the Research Triangle Foundation, the Park represents a capital investment exceeding \$2.8 billion. As of June 2009, approximately 42,000 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, 2010

Governmental Activities: The County has approved an \$177.6 million General Fund budget for fiscal year 2010 which represents approximately \$1.7 million or 1.0% decrease from fiscal year 2009. This was accomplished by adopting a revenue neutral countywide tax rate. This was the first time in twenty years property taxes were not increased. This was also accomplished in spite of the fact that a decline in revenue was projected of 1.9%. Expenditures were reduced by approximately \$5.2 million. Budgeted expenditures for education were decreased approximately \$1.9 million for current expense, which will decrease the per pupil allocation by \$104 to \$3,096. Additionally, the County intends to issue debt to fund the construction of additions to school facilities, fund renovation of County space, the acquisition of information systems and the acquisition of telephone systems.

Business-Type Activities: Those budgets were decreased by approximately \$.5 million. The entire decrease was in the Solid Wasted Enterprise fund.

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 Financial Services for the County, 200 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, 2009

| | Primary Government | | | Component Unit | Reporting Unit |
|---|----------------------------|-----------------------------|------------------------|----------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total | Orange County ABC Board | Total |
| Assets | | | | | |
| Cash and investments | \$ 44,069,881 | \$ 9,964,263 | \$ 54,034,144 | \$ 1,292,640 | \$ 55,326,784 |
| Receivables, property taxes, net | 2,191,243 | - | 2,191,243 | - | 2,191,243 |
| Receivables, federal intergovernmental | 531,177 | - | 531,177 | - | 531,177 |
| Receivables, state intergovernmental | 7,256,200 | 52,936 | 7,309,136 | - | 7,309,136 |
| Receivables, other | 713,165 | 359,451 | 1,072,616 | 292 | 1,072,908 |
| Inventories | 181,031 | - | 181,031 | 1,408,808 | 1,589,839 |
| Internal balances | 202,983 | (202,983) | - | - | - |
| Prepaid expenses | - | 14,295 | 14,295 | 121,694 | 135,989 |
| Restricted assets: | | | | | |
| Temporarily restricted: | | | | | |
| Cash and investments | 28,016,094 | - | 28,016,094 | - | 28,016,094 |
| Capital assets: | | | | | |
| Nondepreciable | 21,303,273 | 2,082,543 | 23,385,816 | 431,646 | 23,817,462 |
| Depreciable, net | 56,495,652 | 15,972,091 | 72,467,743 | 1,476,600 | 73,944,343 |
| Other assets | 1,204,251 | - | 1,204,251 | 28,688 | 1,232,939 |
| Total assets | 162,164,950 | 28,242,596 | 190,407,546 | 4,760,368 | 195,167,914 |
| Liabilities | | | | | |
| Accounts payable | 5,691,860 | 563,916 | 6,255,776 | 481,022 | 6,736,798 |
| Payroll withholdings | 573,118 | 78,267 | 651,385 | - | 651,385 |
| Accrued liabilities | 4,231,252 | 180,263 | 4,411,515 | 326,314 | 4,737,829 |
| Arbitrage payable | 110,300 | - | 110,300 | - | 110,300 |
| Trust accounts | 153,734 | - | 153,734 | - | 153,734 |
| Unearned revenues | 426,658 | 180,758 | 607,416 | - | 607,416 |
| Long-term liabilities: | | | | | |
| Due in less than one year | 19,018,291 | 1,042,337 | 20,060,628 | - | 20,060,628 |
| Due in more than one year | 232,612,084 | 16,760,156 | 249,372,240 | - | 249,372,240 |
| Total liabilities | 262,817,297 | 18,805,697 | 281,622,994 | 807,336 | 282,430,330 |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 15,390,929 | 7,932,387 | 23,323,316 | 1,908,246 | 25,231,562 |
| Unrestricted (deficit) | (116,043,276) | 1,459,512 | (114,583,764) | 2,044,786 | (112,538,978) |
| Total net assets (deficit) | \$ (100,652,347) | \$ 9,391,899 | \$ (91,260,448) | \$ 3,953,032 | \$ (87,307,416) |

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

Orange County, North Carolina

Statement of Activities
For the Year Ended June 30, 2009

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| Governing and management | \$ 10,816,693 | \$ 1,578,095 | \$ 42,492 | \$ - |
| General services | 18,730,842 | 2,009,660 | 999,309 | 2,884,864 |
| Community and environment | 10,932,997 | - | 54,767 | - |
| Human services | 37,604,903 | 1,656,660 | 20,922,550 | - |
| Education | 74,276,350 | 1,238,494 | - | 3,015,953 |
| Public safety | 20,166,400 | 5,033,746 | 1,114,905 | - |
| Culture and recreation | 3,751,394 | 190,359 | 121,105 | - |
| Interest on long-term debt | 9,539,848 | - | - | - |
| Total governmental activities | 185,819,427 | 11,707,014 | 23,255,128 | 5,900,817 |
| Business-type activities: | | | | |
| Landfill | 10,036,966 | 7,889,785 | 401,180 | - |
| Sewer | 269,822 | 64,691 | - | - |
| SportsPlex | 3,145,593 | 2,279,441 | - | - |
| Total business-type activities | 13,452,381 | 10,233,917 | 401,180 | - |
| Total primary government | \$ 199,271,808 | \$ 21,940,931 | \$ 23,656,308 | \$ 5,900,817 |
| Component unit: | | | | |
| ABC Board | \$ 13,355,844 | \$ 13,571,494 | \$ - | \$ - |

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

Change in net assets

Net assets (deficit), beginning
 Net assets (deficit), ending

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

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | | |
|----------------------------|-----------------------------|------------------------|---------------------|-------------------------|
| Governmental Activities | Business-Type Activities | Total | Component Units | Total Reporting Unit |
| \$ (9,196,106) | \$ - | \$ (9,196,106) | \$ - | \$ (9,196,106) |
| (12,837,009) | - | (12,837,009) | - | (12,837,009) |
| (10,878,230) | - | (10,878,230) | - | (10,878,230) |
| (15,025,693) | - | (15,025,693) | - | (15,025,693) |
| (70,021,903) | - | (70,021,903) | - | (70,021,903) |
| (14,017,749) | - | (14,017,749) | - | (14,017,749) |
| (3,439,930) | - | (3,439,930) | - | (3,439,930) |
| (9,539,848) | - | (9,539,848) | - | (9,539,848) |
| <u>(144,956,468)</u> | <u>-</u> | <u>(144,956,468)</u> | <u>-</u> | <u>(144,956,468)</u> |
| - | (1,746,001) | (1,746,001) | - | (1,746,001) |
| - | (205,131) | (205,131) | - | (205,131) |
| - | (866,152) | (866,152) | - | (866,152) |
| - | (2,817,284) | (2,817,284) | - | (2,817,284) |
| <u>(144,956,468)</u> | <u>(2,817,284)</u> | <u>(147,773,752)</u> | <u>-</u> | <u>(147,773,752)</u> |
| - | - | - | 215,650 | 215,650 |
| 130,773,568 | - | 130,773,568 | - | 130,773,568 |
| 18,801,552 | - | 18,801,552 | - | 18,801,552 |
| 935,220 | - | 935,220 | - | 935,220 |
| 798,676 | 136,244 | 934,920 | - | 934,920 |
| 1,994,758 | 7,374 | 2,002,132 | 23,399 | 2,025,531 |
| - | 5,338 | 5,338 | - | 5,338 |
| (504,375) | 504,375 | - | - | - |
| (571,380) | 571,380 | - | - | - |
| <u>152,228,019</u> | <u>1,224,711</u> | <u>153,452,730</u> | <u>23,399</u> | <u>153,476,129</u> |
| 7,271,551 | (1,592,573) | 5,678,978 | 239,049 | 5,918,027 |
| (107,923,898) | 10,984,472 | (96,939,426) | 3,713,983 | (93,225,443) |
| <u>\$ (100,652,347)</u> | <u>\$ 9,391,899</u> | <u>\$ (91,260,448)</u> | <u>\$ 3,953,032</u> | <u>\$ (87,307,416)</u> |

Orange County, North Carolina

Balance Sheet - Governmental Funds
June 30, 2009

| | Major | | | | Total Governmental Funds |
|---|----------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| | General | County Capital Improvements | School Capital Improvements | Nonmajor Governmental Funds | |
| Assets | | | | | |
| Cash and investments | \$ 25,957,223 | \$ 9,234,575 | \$ 2,267,712 | \$ 6,192,006 | \$ 43,651,516 |
| Accounts receivable, property taxes, net | 2,112,527 | - | - | 78,716 | 2,191,243 |
| Accounts receivable, federal | 287,338 | - | - | 243,839 | 531,177 |
| Accounts receivable, state | 6,977,685 | 107,702 | - | 170,813 | 7,256,200 |
| Accounts receivable, other | 436,461 | - | - | 276,704 | 713,165 |
| Inventories | 181,031 | - | - | - | 181,031 |
| Due from other funds | 136,000 | 66,983 | - | - | 202,983 |
| Restricted cash and investments | 370,734 | 26,621,360 | 1,024,000 | - | 28,016,094 |
| Total assets | \$ 36,458,999 | \$ 36,030,620 | \$ 3,291,712 | \$ 6,962,078 | \$ 82,743,409 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 2,042,979 | \$ 2,749,481 | \$ 811,742 | \$ 87,658 | \$ 5,691,860 |
| Payroll withholdings | 556,845 | - | - | 16,273 | 573,118 |
| Accrued liabilities | 638,324 | - | - | - | 638,324 |
| Arbitrage payable | - | 40,170 | 70,130 | - | 110,300 |
| Trust accounts | 153,734 | - | - | - | 153,734 |
| Deferred revenue | 2,906,182 | - | - | 78,716 | 2,984,898 |
| Total liabilities | 6,298,064 | 2,789,651 | 881,872 | 182,647 | 10,152,234 |
| Fund balances: | | | | | |
| Reserved for inventories | 181,031 | - | - | - | 181,031 |
| Reserved for encumbrances | 1,176,508 | 3,041,454 | - | 20,272 | 4,238,234 |
| Reserved for State statute | 7,837,484 | 174,685 | - | 691,356 | 8,703,525 |
| Unreserved, designated for subsequent year's expenditures reported in: | | | | | |
| General fund | 1,988,442 | - | - | - | 1,988,442 |
| Capital projects funds | - | 30,024,830 | 2,409,840 | - | 32,434,670 |
| Special revenue funds | - | - | - | 71,289 | 71,289 |
| Unreserved, undesignated reported in: | | | | | |
| General fund | 18,977,470 | - | - | - | 18,977,470 |
| Special revenue funds | - | - | - | 5,996,514 | 5,996,514 |
| Total fund balances | 30,160,935 | 33,240,969 | 2,409,840 | 6,779,431 | 72,591,175 |
| Total liabilities and fund balances | \$ 36,458,999 | \$ 36,030,620 | \$ 3,291,712 | \$ 6,962,078 | \$ 82,743,409 |

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

Orange County, North Carolina

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2009

| | |
|--|--------------------------------|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Ending fund balance - governmental funds | \$ 72,591,175 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 77,798,925 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds | 2,558,240 |
| 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 | (3,571,376) |
| 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 | 1,204,251 |
| 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 | 396,813 |
| Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds | (251,630,375) |
| Net assets of governmental activities | <u>\$ (100,652,347)</u> |

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

Orange County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2009

| | Major | | | | Total Governmental Funds |
|--|----------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------|
| | General | County Capital Improvements | School Capital Improvements | Nonmajor Governmental Funds | |
| Revenues | | | | | |
| Property taxes | \$ 127,813,347 | \$ - | \$ - | \$ 3,985,798 | \$ 131,799,145 |
| Sales tax | 18,144,604 | - | 669,846 | - | 18,814,450 |
| Intergovernmental revenues | 18,336,123 | 2,884,864 | 2,048,202 | 5,886,756 | 29,155,945 |
| Charges for services | 8,869,046 | - | - | 770,825 | 9,639,871 |
| Investment earnings | 592,004 | 100,398 | 5,604 | 95,684 | 793,690 |
| Licenses and permits | 363,594 | - | - | - | 363,594 |
| Impact fees | - | - | - | 1,238,494 | 1,238,494 |
| Miscellaneous | 975,958 | 299,401 | 410,961 | 153,669 | 1,839,989 |
| Total revenues | 175,094,676 | 3,284,663 | 3,134,613 | 12,131,226 | 193,645,178 |
| Expenditures | | | | | |
| Current: | | | | | |
| Governing and management | 9,451,313 | - | - | - | 9,451,313 |
| General services | 11,661,485 | - | - | 1,249,744 | 12,911,229 |
| Community and environment | 4,168,855 | - | - | 6,063,538 | 10,232,393 |
| Human services | 35,796,384 | - | - | 113,880 | 35,910,264 |
| Education | 64,722,715 | - | - | - | 64,722,715 |
| Public safety | 16,797,453 | - | - | 4,128,857 | 20,926,310 |
| Culture and recreation | 3,322,213 | - | - | - | 3,322,213 |
| Capital outlay | - | 29,054,083 | 9,553,635 | - | 38,607,718 |
| Debt service: | | | | | |
| Principal | 17,038,179 | - | - | - | 17,038,179 |
| Interest and fees | 9,170,485 | - | - | - | 9,170,485 |
| Total expenditures | 172,129,082 | 29,054,083 | 9,553,635 | 11,556,019 | 222,292,819 |
| Excess (deficiency) of revenues over (under) expenditures | 2,965,594 | (25,769,420) | (6,419,022) | 575,207 | (28,647,641) |
| Other financing sources (uses) | | | | | |
| Capital lease issuances | 562,617 | - | - | - | 562,617 |
| Installment loan issuances | - | 38,700,000 | - | - | 38,700,000 |
| Transfers in | 2,117,445 | 2,669,870 | 8,403,991 | 879,014 | 14,070,320 |
| Transfers out | (11,939,090) | (350,000) | (100,000) | (2,252,610) | (14,641,700) |
| Total other financing sources (uses) | (9,259,028) | 41,019,870 | 8,303,991 | (1,373,596) | 38,691,237 |
| Net change in fund balances | (6,293,434) | 15,250,450 | 1,884,969 | (798,389) | 10,043,596 |
| Fund balances, beginning | 36,454,369 | 17,990,519 | 524,871 | 7,577,820 | 62,547,579 |
| Fund balances, ending | \$ 30,160,935 | \$ 33,240,969 | \$ 2,409,840 | \$ 6,779,431 | \$ 72,591,175 |

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

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, 2009

| | |
|---|-----------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Net change in fund balances - total governmental funds | \$ 10,043,596 |
| 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 | 26,409,099 |
| Depreciation expense | (2,165,435) |
| Other capital adjustments | 4,641 |
| Capital asset contributions to proprietary funds | (4,205,166) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | |
| Change in deferred revenue | (103,255) |
| Other adjustments to the statement of activities | 435,638 |
| 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 | |
| | (128,261) |
| 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 | |
| | (241,102) |
| The issuance of the long-term debt provides for current financial resources of governmental funds. This amount is the proceeds on debt issuances recorded in the governmental funds | |
| | (39,495,454) |
| 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 | |
| | 16,980,228 |
| Debt previously included in governmental type funds transferred to proprietary funds | |
| | 3,710,710 |
| Expenses related to OPEB liability, 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 | |
| | (4,058,204) |
| The internal service fund is used by management to charge the costs of dental insurance | |
| | 84,516 |
| Change in net assets of governmental activities | <u><u>\$ 7,271,551</u></u> |

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

Orange County, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2009

| | Budget Amounts | | Actual | Variance With Final Positive (Negative) |
|---|--------------------|--------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 128,034,689 | \$ 128,049,689 | \$ 127,813,347 | \$ (236,342) |
| Sales tax | 18,985,723 | 18,985,723 | 18,144,604 | (841,119) |
| Intergovernmental revenues | 18,934,297 | 20,094,940 | 18,336,123 | (1,758,817) |
| Charges for services | 9,915,176 | 10,085,263 | 8,869,046 | (1,216,217) |
| Investment earnings | 840,000 | 840,000 | 592,004 | (247,996) |
| Licenses and permits | 288,000 | 288,000 | 363,594 | 75,594 |
| Miscellaneous | 872,958 | 904,371 | 1,015,804 | 111,433 |
| Total revenues | 177,870,843 | 179,247,986 | 175,134,522 | (4,113,464) |
| Expenditures | | | | |
| Governing and management | 9,634,730 | 10,136,825 | 9,451,313 | 685,512 |
| General services | 12,814,370 | 13,510,000 | 11,661,485 | 1,848,515 |
| Community and environment | 4,267,416 | 4,496,077 | 4,168,855 | 327,222 |
| Human services | 36,163,377 | 39,760,970 | 35,796,384 | 3,964,586 |
| Education | 64,722,715 | 64,722,715 | 64,722,715 | - |
| Public safety | 17,168,924 | 17,286,905 | 16,797,453 | 489,452 |
| Culture and recreation | 3,555,469 | 3,672,662 | 3,322,213 | 350,449 |
| Debt service: | | | | |
| Principal | 16,833,290 | 16,956,894 | 17,038,179 | (81,285) |
| Interest and fees | 9,272,569 | 9,272,569 | 9,170,485 | 102,084 |
| Total expenditures | 174,432,860 | 179,815,617 | 172,129,082 | 7,686,535 |
| Excess of revenues over expenditures | 3,437,983 | (567,631) | 3,005,440 | 3,573,071 |
| Other financing sources (uses) | | | | |
| Capital lease issuance | - | 345,617 | 562,617 | 217,000 |
| Transfers in | 2,653,545 | 2,653,545 | 2,117,445 | (536,100) |
| Transfers out | (8,091,528) | (11,939,141) | (11,939,090) | 51 |
| Appropriated fund balance | 2,000,000 | 9,507,610 | - | (9,507,610) |
| Total other financing sources (uses) | (3,437,983) | 567,631 | (9,259,028) | (9,826,659) |
| Deficiency of revenues and other financing sources under expenditures and other financing uses | \$ - | \$ - | (6,253,588) | \$ (6,253,588) |
| Fund balance, beginning | | | 36,454,369 | |
| Increase in reserve for inventory | | | (39,846) | |
| Fund balance, ending | | | <u>\$ 30,160,935</u> | |

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

Orange County, North Carolina

Statement of Net Assets - Proprietary Funds
June 30, 2009

| | Major | | Nonmajor | Total Enterprise Funds | Internal |
|---|------------------------------|--------------------|----------------------|---------------------------|--|
| | Solid Waste Landfill Fund | SportsPlex Fund | Efland Sewer Fund | | Service Fund Dental Insurance Fund |
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 9,181,047 | \$ 630,909 | \$ 152,307 | \$ 9,964,263 | \$ 418,365 |
| Accounts receivable, state | 52,936 | - | - | 52,936 | - |
| Accounts receivable, other | 300,200 | 59,251 | - | 359,451 | - |
| Prepaid expenses | - | 14,295 | - | 14,295 | - |
| Total current assets | 9,534,183 | 704,455 | 152,307 | 10,390,945 | 418,365 |
| Noncurrent Assets | | | | | |
| Capital assets, net | 8,166,834 | 6,873,167 | 2,969,633 | 18,009,634 | - |
| Total assets | 17,701,017 | 7,577,622 | 3,121,940 | 28,400,579 | 418,365 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | 470,203 | 58,687 | 35,026 | 563,916 | - |
| Payroll withholdings | 43,938 | 34,329 | - | 78,267 | - |
| Accrued liabilities | 93,165 | - | - | 93,165 | 21,552 |
| Accrued interest | - | 87,098 | - | 87,098 | - |
| Due to other funds | - | - | 202,983 | 202,983 | - |
| Unearned revenues | - | 180,758 | - | 180,758 | - |
| Current portion of long-term debt | 934,857 | - | - | 934,857 | - |
| Compensated absences, current portion | 107,480 | - | - | 107,480 | - |
| Total current liabilities | 1,649,643 | 360,872 | 238,009 | 2,248,524 | 21,552 |
| Noncurrent Liabilities | | | | | |
| Compensated absences | 77,831 | - | - | 77,831 | - |
| Post closing liability | 6,901,744 | - | - | 6,901,744 | - |
| OPEB Liability | 638,191 | - | - | 638,191 | - |
| Long-term debt | 2,598,037 | 6,544,353 | - | 9,142,390 | - |
| Total noncurrent liabilities | 10,215,803 | 6,544,353 | - | 16,760,156 | - |
| Total liabilities | 11,865,446 | 6,905,225 | 238,009 | 19,008,680 | 21,552 |
| Net Assets | | | | | |
| Invested in capital assets, net of related debt | 4,633,940 | 328,814 | 2,969,633 | 7,932,387 | - |
| Unrestricted (deficit) | 1,201,631 | 343,583 | (85,702) | 1,459,512 | 396,813 |
| Total net assets | \$ 5,835,571 | \$ 672,397 | \$ 2,883,931 | \$ 9,391,899 | \$ 396,813 |

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

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Orange County, North Carolina

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended June 30, 2009

| | Major | | Nonmajor | Total Enterprise Funds | Internal |
|---|------------------------------|--------------------|----------------------|---------------------------|--|
| | Solid Waste Landfill Fund | SportsPlex Fund | Efland Sewer Fund | | Service Fund Dental Insurance Fund |
| Operating revenues | | | | | |
| Landfill fees | \$ 7,889,785 | \$ - | \$ - | \$ 7,889,785 | \$ - |
| Service fees | - | 2,279,441 | 64,691 | 2,344,132 | - |
| Other | 7,374 | - | - | 7,374 | - |
| Employee contributions | - | - | - | - | 465,055 |
| Total operating revenues | 7,897,159 | 2,279,441 | 64,691 | 10,241,291 | 465,055 |
| Operating expenses | | | | | |
| Landfill | 5,586,337 | - | - | 5,586,337 | - |
| General and administrative | 1,304,776 | 2,554,011 | 177,126 | 4,035,913 | 20,998 |
| Depreciation | 861,608 | 262,394 | 92,696 | 1,216,698 | - |
| Post closing cost | 1,901,436 | - | - | 1,901,436 | - |
| OPEB | 240,961 | - | - | 240,961 | - |
| Claims expense | - | - | - | - | 364,527 |
| Total operating expenses | 9,895,118 | 2,816,405 | 269,822 | 12,981,345 | 385,525 |
| Operating income (loss) | (1,997,959) | (536,964) | (205,131) | (2,740,054) | 79,530 |
| Nonoperating revenue (expense): | | | | | |
| Investment earnings | 134,959 | - | 1,285 | 136,244 | 4,986 |
| Interest and fees | (141,848) | (329,188) | - | (471,036) | - |
| Grant, State | 401,180 | - | - | 401,180 | - |
| Gain on sale of capital assets | 5,338 | - | - | 5,338 | - |
| Total nonoperating revenue (expense) | 399,629 | (329,188) | 1,285 | 71,726 | 4,986 |
| Income (loss) before contributions and transfers | (1,598,330) | (866,152) | (203,846) | (2,668,328) | 84,516 |
| Capital contributions | 164,668 | 339,707 | - | 504,375 | - |
| Transfers in | - | 747,000 | 106,750 | 853,750 | - |
| Transfers out | (282,370) | - | - | (282,370) | - |
| Total contributions and transfers | (117,702) | 1,086,707 | 106,750 | 1,075,755 | - |
| Change in net assets | (1,716,032) | 220,555 | (97,096) | (1,592,573) | 84,516 |
| Net assets, beginning | 7,551,603 | 451,842 | 2,981,027 | 10,984,472 | 312,297 |
| Net assets, ending | \$ 5,835,571 | \$ 672,397 | \$ 2,883,931 | \$ 9,391,899 | \$ 396,813 |

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

Orange County, North Carolina

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2009

| | Major | | Nonmajor | Total Enterprise Funds | Internal Service Fund |
|--|------------------------------|--------------------|----------------------|---------------------------|--------------------------|
| | Solid Waste Landfill Fund | SportsPlex Fund | Efland Sewer Fund | | Dental Insurance Fund |
| Cash Flows From Operating Activities | | | | | |
| Cash received from customers | \$ 7,877,300 | \$ 2,219,357 | \$ - | \$ 10,096,657 | \$ - |
| Cash received from assessments | - | - | 64,691 | 64,691 | - |
| Cash received from employee contributions | - | - | - | - | 465,055 |
| Cash paid to employees | (3,038,323) | (919,924) | (177,126) | (4,135,373) | - |
| Cash paid for goods and services | (3,641,450) | (1,645,438) | 10,148 | (5,276,740) | (20,998) |
| Cash paid for claims | - | - | - | - | (368,012) |
| Net cash provided by (used in) operating activities | 1,197,527 | (346,005) | (102,287) | 749,235 | 76,045 |
| Cash Flows From Noncapital Financing Activities | | | | | |
| Transfers in | - | 747,000 | 106,750 | 853,750 | - |
| Transfers out | (282,370) | - | - | (282,370) | - |
| Unrestricted grants | 395,722 | - | - | 395,722 | - |
| Net cash provided by noncapital financing activities | 113,352 | 747,000 | 106,750 | 967,102 | - |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Contributed capital | - | 9,918 | - | 9,918 | - |
| Payments related to the acquisition of capital assets | (1,694,599) | (48,537) | - | (1,743,136) | - |
| Interest paid on long-term debt | (141,848) | (302,679) | - | (444,527) | - |
| Proceeds on debt issuance | 846,021 | - | - | 846,021 | - |
| Payments related to the payment of debt | (660,709) | (386,252) | - | (1,046,961) | - |
| Net cash used in capital and related financing activities | (1,651,135) | (727,550) | - | (2,378,685) | - |
| Cash Flows Provided By Investing Activities | | | | | |
| Interest received | 134,959 | - | 1,285 | 136,244 | 4,986 |
| Net increase (decrease) in cash and cash equivalents | (205,297) | (326,555) | 5,748 | (526,104) | 81,031 |
| Cash and cash equivalents: | | | | | |
| Beginning of year | 9,386,344 | 957,464 | 146,559 | 10,490,367 | 337,334 |
| End of year | \$ 9,181,047 | \$ 630,909 | \$ 152,307 | \$ 9,964,263 | \$ 418,365 |

(Continued)

Orange County, North Carolina

Statement of Cash Flows - Proprietary Funds (Continued)
Year Ended June 30, 2009

| | Major | | Nonmajor | Total Enterprise Funds | Internal Service Fund |
|---|------------------------------|---------------------|----------------------|---------------------------|--------------------------|
| | Solid Waste Landfill Fund | SportsPlex Fund | Efland Sewer Fund | | Dental Insurance Fund |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities | | | | | |
| Operating income (loss) | \$ (1,997,959) | \$ (536,964) | \$ (205,131) | \$ (2,740,054) | \$ 79,530 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | 861,608 | 262,394 | 92,696 | 1,216,698 | - |
| Post closing cost | 1,901,436 | - | - | 1,901,436 | - |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (19,859) | (37,968) | - | (57,827) | - |
| Prepaid expenses | 65,946 | (4,635) | - | 61,311 | - |
| Increase (decrease) in: | | | | | |
| Accounts payable and accrued liabilities | 202,354 | (6,716) | 10,148 | 205,786 | - |
| Compensated absences | (56,960) | - | - | (56,960) | - |
| Unearned revenues | - | (22,116) | - | (22,116) | - |
| OPEB liability | 240,961 | - | - | 240,961 | - |
| Incurred but not reported reserve | - | - | - | - | (3,485) |
| Total adjustments | 3,195,486 | 190,959 | 102,844 | 3,489,289 | (3,485) |
| Net cash provided by (used in) operating activities | \$ 1,197,527 | \$ (346,005) | \$ (102,287) | \$ 749,235 | \$ 76,045 |

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

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Orange County, North Carolina

Statement of Fiduciary Assets and Liabilities - Fiduciary Funds
June 30, 2009

| | Agency Funds |
|--|-------------------|
| Assets | |
| Cash and investments | \$ 383,545 |
| Accounts receivable, property taxes, net | 192,724 |
| Accounts receivable, other | 4,722 |
| Total assets | \$ 580,991 |
| Liabilities | |
| Accounts payable | \$ 385,173 |
| Unearned revenues | 15,600 |
| Due to other governments | 17,206 |
| Due to cooperative extension | 81,590 |
| Due to library | 4,191 |
| Due to jail inmates | 77,231 |
| Total liabilities | \$ 580,991 |

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

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 seven-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 Orange County ABC Board, which has a June 30 year-end, is presented as if it was a separate proprietary fund of the County (discrete presentation). The Orange County ABC Board is presented 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.

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.

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:

Other nonmajor governmental funds: Impact Fee, Property Revaluation, Community Development, School Capital Reserve, Section 8 Housing, Grant Supported, Grant Projects, Emergency Telephone System, Visitors' Bureau, Local Fire Districts, Heusner, Library Development, Adoption Enhancement, and Recreation Subdivision.

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

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

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; the Jail Inmate Trust Fund, which accounts for the receipts from jail inmates who are incarcerated in the county jail; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

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, except for agency funds which 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 registered motor vehicles 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The following summarizes the supplementary appropriations made during 2009:

| | Original Budget | Total Amendments | Revised Budget |
|----------------------------|--------------------|---------------------|-------------------|
| General Fund | \$ 182,524,388 | \$ 9,230,370 | \$ 191,754,758 |
| Special Revenue Funds: | | | |
| Impact Fee | - | 2,190,000 | 2,190,000 |
| Property Revaluation | 183,249 | 16,950 | 200,199 |
| Community Development | 10,308,852 | 5,400,562 | 15,709,414 |
| School Capital Reserve | - | 589,044 | 589,044 |
| Grant Supported Projects | 587,895 | 94,412 | 682,307 |
| Emergency Telephone System | 723,717 | 228,683 | 952,400 |
| Visitor's Bureau | 974,831 | 162,039 | 1,136,870 |
| Fire Districts | 3,062,444 | 40,000 | 3,102,444 |
| Enterprise Funds: | | | |
| Solid Waste/Landfill | 11,314,500 | 957,741 | 12,272,241 |
| Efland Sewer Operating | 184,250 | (5,854) | 178,396 |
| SportsPlex | 2,917,800 | 770,700 | 3,688,500 |

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, 2009.

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 G.S. 159-31. 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").

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 \$27,862,360 at June 30, 2009.

Department of Social Services trust accounts are restricted to the use for which the funds were received. Total trust accounts included in restricted assets are \$153,734 at June 30, 2009.

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, 2009. 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 County performs a revaluation every four 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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 \$1,548,010 at June 30, 2009.

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 County's 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.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 | 5 - 7 |
| Furniture, fixtures and equipment | 5 - 7 |
| 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.

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.

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. These amounts are paid from the same fund to which the employee's salary is charged. Accumulated vacation leave and salary related payments at June 30, 2009 amounted to \$3,384,047 for governmental activities and \$185,311 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, 2009 amounted to \$12,034,135 in total, \$11,528,778 of which relates to the governmental funds and \$505,357 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 \$144.8 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 – portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.
- Reserved for encumbrances – portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.
- 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 – portion of fund balance available for appropriation that has been designated for the 2009-2010 budget ordinance.
- Undesignated – portion of fund balance that is available for appropriation that is uncommitted at year-end.

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, 2009. These reclassifications did not have an effect on the prior year's change in net assets or total net assets.

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.

Notes to Basic Financial Statements

Note 2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations: For the fiscal year ended June 30, 2009, the County exceeded the authorized appropriations made by the governing board for the funds and functional levels shown below:

| | Final Budget | Actual Expenditures | Overage |
|------------------------|-----------------|------------------------|-------------|
| Special Revenue Funds: | | | |
| Section 8 Housing: | | | |
| Administration | \$ 373,980 | \$ 472,763 | \$ (98,783) |
| Assistance payments | 3,601,740 | 3,803,354 | (201,614) |

The Section 8 Housing Special Revenue Fund excess expenditures occurred as a result of no grant funds to cover these over expenditures. These expenditures should have been reclassified to the General Fund where there was budgeted funds to cover them. Management will project potential expenditures more thoroughly to address areas that may exceed budget and will more closely review budget reports to ensure compliance in future years.

Note 3. 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 exceeding 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 June 30, 2009, the County's deposits had a carrying amount of \$57,402,827 and a bank balance of \$58,057,705. Of the bank balance, \$1,150,163 was covered by federal depository insurance and \$56,907,542 was covered by collateral held under the Pooling Method. At June 30, 2009, the County had \$7,125 cash on hand.

At June 30, 2009, the ABC Board's deposits had a carrying amount of \$1,278,590 and a bank balance of \$1,294,036. All of the bank balance was covered by federal depository insurance. At June 30, 2009, the Board has \$14,050 cash on hand.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 3. Deposits and Investments (Continued)

| Investment Type | Fair Value | Less Than 6 Months | 6-12 Months | 1-3 Years |
|--|---------------|-----------------------|-------------|-----------|
| NC Capital Management Trust, Cash Portfolio | \$ 25,023,831 | N/A | N/A | N/A |

At June 30, 2009, the County's investments consisted of \$25,023,831 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.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

| | Balance, Beginning as Restated | Increase | Decrease | Transfers | Balance, Ending |
|--|--------------------------------------|-------------------|----------------|---------------------|----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 10,425,530 | \$ - | \$ - | \$ 2,582,486 | \$ 13,008,016 |
| Water resources, Lake Orange | 481,624 | - | - | - | 481,624 |
| Construction-in-progress | 27,946,412 | 19,526,458 | - | (39,659,237) | 7,813,633 |
| Total capital assets not being depreciated | 38,853,566 | 19,526,458 | - | (37,076,751) | 21,303,273 |
| Capital assets being depreciated: | | | | | |
| Buildings | 32,732,495 | 5,633,565 | - | 32,871,585 | 71,237,645 |
| Automotive equipment | 6,832,555 | 704,529 | 350,333 | - | 7,186,751 |
| Other equipment | 4,121,865 | 544,547 | 96,319 | - | 4,570,093 |
| Total capital assets being depreciated | 43,686,915 | 6,882,641 | 446,652 | 32,871,585 | 82,994,489 |
| Less accumulated depreciation: | | | | | |
| Buildings | 16,697,689 | 982,886 | - | - | 17,680,575 |
| Automotive equipment | 5,334,776 | 706,356 | 354,974 | - | 5,686,158 |
| Other equipment | 2,752,230 | 476,193 | 96,319 | - | 3,132,104 |
| Total accumulated depreciation | 24,784,695 | 2,165,435 | 451,293 | - | 26,498,837 |
| Total capital assets being depreciated, net | 18,902,220 | | | | 56,495,652 |
| Governmental activities capital assets, net | \$ 57,755,786 | | | | \$ 77,798,925 |

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

| | |
|-----------------------------------|---------------------|
| Governing and management | \$ 1,058,298 |
| General services | 205,899 |
| Community and environment | 16,873 |
| Human services | 111,939 |
| Public safety | 694,294 |
| Culture and recreation | 78,132 |
| Total depreciation expense | \$ 2,165,435 |

Orange County, North Carolina

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

| | Beginning as restated | Increase | Decrease | Transfers | Balance, Ending |
|---|--------------------------|------------------|------------------|--------------------|----------------------|
| Business-type activities: | | | | | |
| Solid Waste Landfill: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,442,890 | \$ - | \$ - | \$ - | \$ 1,442,890 |
| Construction-in-progress | 489,233 | 38,990 | - | (353,289) | 174,934 |
| Total capital assets not being depreciated | 1,932,123 | 38,990 | - | (353,289) | 1,617,824 |
| Capital assets being depreciated: | | | | | |
| Land improvements | 3,476,793 | 479,664 | - | - | 3,956,457 |
| Buildings | 863,086 | - | - | 2,717,956 | 3,581,042 |
| Equipment | 9,603,579 | 1,181,284 | 1,326,666 | - | 9,458,197 |
| Total capital assets being depreciated | 13,943,458 | 1,660,948 | 1,326,666 | 2,717,956 | 16,995,696 |
| Less accumulated depreciation: | | | | | |
| Land improvements | 3,244,598 | 8,009 | - | - | 3,252,607 |
| Buildings | 306,384 | 39,242 | - | - | 345,626 |
| Equipment | 7,360,762 | 814,357 | 1,326,666 | - | 6,848,453 |
| Total accumulated depreciation | 10,911,744 | 861,608 | 1,326,666 | - | 10,446,686 |
| Total capital assets being depreciated, net | 3,031,714 | | | | 6,549,010 |
| Total Solid Waste Landfill | 4,963,837 | | | | 8,166,834 |
| Efland Sewer: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land and right of way | 57,117 | - | - | - | 57,117 |
| Construction-in-progress | 2,225,060 | - | - | (2,225,060) | - |
| Total capital assets not being depreciated | 2,282,177 | - | - | (2,225,060) | 57,117 |
| Capital assets being depreciated: | | | | | |
| Sewer lines | 1,482,787 | - | - | 2,225,060 | 3,707,847 |
| Less accumulated depreciation: | | | | | |
| Sewer line | 702,635 | 92,696 | - | - | 795,331 |
| Total capital assets being depreciated, net | 780,152 | | | | 2,912,516 |
| Total Efland Sewer | 3,062,329 | | | | 2,969,633 |
| SportsPlex: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | 407,602 | - | - | - | 407,602 |
| Capital assets being depreciated: | | | | | |
| Buildings | 5,243,860 | - | - | 1,840,499 | 7,084,359 |
| Equipment | 76,855 | 48,537 | - | - | 125,392 |
| Total capital assets being depreciated | 5,320,715 | 48,537 | - | 1,840,499 | 7,209,751 |
| Less accumulated depreciation: | | | | | |
| Buildings | 451,555 | 241,926 | - | - | 693,481 |
| Equipment | 30,237 | 20,468 | - | - | 50,705 |
| Total accumulated depreciation | 481,792 | 262,394 | - | - | 744,186 |
| Total capital assets being depreciated, net | 4,838,923 | | | | 6,465,565 |
| Total SportsPlex | 5,246,525 | | | | 6,873,167 |
| Business-type activities capital assets, net | \$ 13,272,691 | | | | \$ 18,009,634 |

Orange County, North Carolina

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

| | Beginning | Increases | Decreases | Ending |
|--|---------------------|----------------|---------------|---------------------|
| Orange County ABC Board: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 429,877 | \$ 1,769 | \$ - | \$ 431,646 |
| Capital assets being depreciated: | | | | |
| Building and improvements | 1,923,184 | 103,094 | - | 2,026,278 |
| Store Number 1 Hillsborough | 67,573 | - | - | 67,573 |
| Store Number 2 Eastgate/Village Plaza | 94,823 | 9,085 | - | 103,908 |
| Store Number 3 Chapel Hill North | 54,973 | - | 902 | 54,071 |
| Store Number 4 Mebane | 47,743 | - | 1,239 | 46,504 |
| Store Number 5 Meadowmont | 63,727 | - | - | 63,727 |
| Store Number 6 Eno | 73,996 | - | 529 | 73,467 |
| Store Number 7 Carrboro | 43,766 | - | 574 | 43,192 |
| Store Number 9 Carrboro | 21,092 | - | - | 21,092 |
| Store Number 10 Granville Centre | - | 42,592 | - | 42,592 |
| Warehouse fixtures and equipment | 5,805 | 2,460 | - | 8,265 |
| Office furniture, fixtures and equipment | 43,776 | - | 6,669 | 37,107 |
| Motor vehicles | 66,594 | 82,432 | 19,760 | 129,266 |
| Total | 2,507,052 | 239,663 | 29,673 | 2,717,042 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 719,821 | 100,064 | - | 819,885 |
| Store Number 1 Hillsborough | 51,483 | 4,667 | - | 56,150 |
| Store Number 2 Eastgate/Village Plaza | 28,943 | 13,904 | - | 42,847 |
| Store Number 3 Chapel Hill North | 38,315 | 7,323 | 902 | 44,736 |
| Store Number 4 Mebane | 35,898 | 4,702 | 1,239 | 39,361 |
| Store Number 5 Meadowmont | 21,227 | 11,086 | - | 32,313 |
| Store Number 6 Eno | 64,506 | 3,304 | 529 | 67,281 |
| Store Number 7 Carrboro | 32,980 | 4,359 | 574 | 36,765 |
| Store Number 9 Carrboro | 19,423 | 614 | - | 20,037 |
| Store Number 10 Granville Centre | - | 9,362 | - | 9,362 |
| Warehouse fixtures and equipment | 3,272 | 1,363 | - | 4,635 |
| Office furniture, fixtures and equipment | 22,421 | - | 3,559 | 18,862 |
| Motor vehicles | 66,594 | 1,374 | 19,760 | 48,208 |
| Total | 1,104,883 | 162,122 | 26,563 | 1,240,442 |
| Total capital assets being depreciated, net | 1,402,169 | | | 1,476,600 |
| Orange County ABC Board capital assets, net | \$ 1,832,046 | | | \$ 1,908,246 |

Orange County, North Carolina

Notes to Basic Financial Statements

Note 5. Deferred/Unearned Revenues

At June 30, 2009, deferred revenues on the governmental fund financial statements and unearned revenue on the government-wide statements consists of the following:

| | Deferred Revenue | Unearned Revenue |
|--|---------------------|---------------------|
| Net property taxes receivable (General) | \$ 2,112,527 | \$ - |
| Net property taxes receivable (Fire Districts Special Revenue) | 78,716 | - |
| Prepaid taxes (General) | 366,997 | - |
| Other deferred revenue | 426,658 | 426,658 |
| | <u>\$ 2,984,898</u> | <u>\$ 426,658</u> |

Note 6. Long-Term Obligations

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2009:

| | Balance July 1, 2008 | Increases | Decreases | Transfers | Balance June 30, 2009 | Amounts Due Within One Year |
|---|-------------------------|----------------------|----------------------|-----------------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | | |
| General obligation bonds | \$ 130,290,000 | \$ - | \$ 8,875,000 | \$ - | \$ 121,415,000 | \$ 8,835,000 |
| Obligations under capital leases | 903,355 | 2,062,617 | 583,626 | - | 2,382,346 | 329,564 |
| Installment notes payable | 86,838,352 | 37,432,837 | 7,521,602 | (3,710,710) | 113,038,877 | 7,779,306 |
| 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 | (267,635) | (9,286) | - | - | (276,921) | - |
| Accrued compensated absences | 3,203,776 | 180,271 | - | - | 3,384,047 | 2,074,421 |
| Separation allowance | 494,264 | 154,545 | 184,032 | - | 464,777 | - |
| OPEB liability | 7,587,297 | 4,859,575 | 952,155 | - | 11,494,717 | - |
| Total governmental activities | <u>\$ 228,776,941</u> | <u>\$ 44,680,559</u> | <u>\$ 18,116,415</u> | <u>\$ (3,710,710)</u> | <u>\$ 251,630,375</u> | <u>\$ 19,018,291</u> |
| Business-type activities: | | | | | | |
| Obligations under capital leases | \$ 1,147,582 | \$ 846,021 | \$ 550,709 | \$ - | \$ 1,442,894 | \$ 448,408 |
| Installment notes payable | 5,419,895 | - | 496,252 | 3,710,710 | 8,634,353 | 486,449 |
| Post closing liability | 5,000,308 | 1,901,436 | - | - | 6,901,744 | - |
| Accrued compensated absences | 242,271 | - | 56,960 | - | 185,311 | 107,480 |
| OPEB liability | 397,230 | 293,825 | 52,864 | - | 638,191 | - |
| Total business-type activities | <u>\$ 12,207,286</u> | <u>\$ 3,041,282</u> | <u>\$ 1,156,785</u> | <u>\$ 3,710,710</u> | <u>\$ 17,802,493</u> | <u>\$ 1,042,337</u> |

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

Orange County, North Carolina

Notes to Basic Financial Statements

Note 6. Long-Term Obligations (Continued)

General long-term debt payable at June 30, 2009 is comprised of the following:

General obligation bonds: All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable serviced by the County's General Fund are comprised of the following individual issues:

| | |
|--|------------------------------|
| \$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% | \$ 100,000 |
| \$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% | 1,119,788 |
| \$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% | 80,212 |
| \$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% | 7,876,727 |
| \$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% | 2,016,037 |
| \$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% | 1,137,236 |
| \$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% | 15,925,000 |
| \$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% | 3,600,000 |
| \$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% | 17,940,000 |
| \$29,185,000 2005A Public Improvement Bond due in annual installments of \$1,000,000 through April 1, 2024; interest at 3% to 5% | 26,185,000 |
| \$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% | 11,615,000 |
| \$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% | 5,505,000 |
| \$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% | 28,315,000 |
| Total general obligation bonds | <u>\$ 121,415,000</u> |

Of the amount serviced by the County's general fund shown above, \$97,204,415 is considered to be School Bond Debt.

Notes to Basic Financial Statements

Note 6. Long-Term Obligations (Continued)

Obligations under capital leases: The County has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at present value of the future minimum lease payments as the date of their inception.

Capital leases serviced by governmental funds:

| | |
|--|------------------|
| 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 | \$ 90,194 |
| 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 | 61,244 |
| 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 | 167,291 |
| Capitalized equipment lease obligation due in annual principal payments of \$69,123 and interest at 3.27% through August 4, 2013 | 346,617 |
| Capitalized equipment lease obligation due in annual principal payments of \$300,000 with semiannual interest payments at 3.05% through July 24, 2014 | 1,500,000 |
| Capitalized equipment lease obligation due in annual principal payments of \$43,400 with semiannual interest payments at 3.05% through July 24, 2014 | 217,000 |
| Total | <u>2,382,346</u> |

Capital leases serviced by the County's solid waste fund:

| | |
|--|---------------------|
| Capitalized equipment lease obligation due in semiannual installments of \$80,055 which includes interest at 3.22% through December 10, 2009. Gross amount of equipment acquired under capital lease is \$665,511 | 78,783 |
| 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 | 45,768 |
| Capitalized equipment lease obligation due in quarterly installments of \$46,187 which includes interest at 3.60% through January 9, 2012. Gross amount of equipment acquired under capital lease is \$632,146 | 472,322 |
| Capitalized equipment lease obligation due in annual principal payments of \$169,204 and interest at 3.27% through August 4, 2013 | 846,021 |
| Total | <u>1,442,894</u> |
| Total capital lease obligations | <u>\$ 3,825,240</u> |

Orange County, North Carolina

Notes to Basic Financial Statements

Note 6. 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 | \$ 474,383 |
| Installment note payable due in semiannual payments of \$239,027 which includes interest at 3.69% through December 20, 2011 | 1,344,197 |
| Installment note payable in semiannual payments of \$424,980 which includes interest at 3.70% through February 1, 2012 | 2,419,101 |
| Installment note payable due in semiannual payments which includes interest at 4.58% through November 1, 2010 | 2,730,000 |
| 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 | 2,037,069 |
| Installment note payable due in quarterly payments of \$12,251 to \$17,181 which includes interest at 4.17% through October 7, 2012 | 169,750 |
| Installment note payable due in annual payments of \$745,455 to \$803,636; interest at 4% to 5% through April 1, 2026 | 13,647,352 |
| Installment note payable due in quarterly payments of \$42,125; interest at 5% through April 27, 2016 | 1,179,500 |
| Installment note payable due in annual payments of \$600,000; interest at 4.39% through December 21, 2021 | 7,800,000 |
| Installment note payable due in annual payments of \$2,317,764; interest at 4.14% through January 1, 2027 | 44,037,525 |
| Installment note payable due in annual payments of \$275,862; interest at 3.68% through September 12, 2013 | 8,000,000 |
| Installment note payable due in annual principal payments of \$1,283,000 to \$2,035,000; semiannual interest payments at 3.60% through July 24, 2024 | 28,200,000 |
| Installment note payable due in annual principal payments of \$420,000 on July 24, 2010 and \$580,000 on July 24, 2011; semiannual interest payments at 5.26% through July 24, 2011 | 1,000,000 |
| Total | <u>113,038,877</u> |

Serviced by the County's enterprise funds:

| | |
|---|-----------------------|
| Installment note payable due in annual payments of \$279,545 to \$301,364; interest at 4% to 5% through April 1, 2026 | 5,117,728 |
| Installment note payable due in annual payments of \$110,000; interest at 4.14% through January 1, 2027 | 2,090,000 |
| Installment note payable due in annual payments of \$75,086; interest at 4.14% through January 1, 2027 | 1,426,625 |
| Total | <u>8,634,353</u> |
| Total installment notes payable | <u>\$ 121,673,230</u> |

Of the amount serviced by governmental funds, shown above, \$47,607,812 is considered to be School Bond Debt.

Orange County, North Carolina

Notes to Basic Financial Statements

Note 6. Long-Term Obligations (Continued)

The annual requirements as of June 30, 2009 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:

| Fiscal Year Ending June 30, | Capital Leases | | Installment Purchase Obligations | | General Obligation Bonds | | Total | |
|--------------------------------|---------------------|-------------------|----------------------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| Governmental activities: | | | | | | | | |
| 2010 | \$ 329,564 | 59,878 | \$ 7,779,306 | 3,539,645 | \$ 8,835,000 | 5,314,283 | \$ 16,943,870 | \$ 8,913,806 |
| 2011 | 470,813 | 57,215 | 9,053,913 | 4,911,950 | 8,880,000 | 4,900,883 | 18,404,726 | 9,870,048 |
| 2012 | 412,523 | 43,439 | 8,382,805 | 3,554,983 | 8,825,000 | 4,525,696 | 17,620,328 | 8,124,118 |
| 2013 | 412,523 | 30,705 | 6,521,530 | 3,451,935 | 8,765,000 | 4,146,396 | 15,699,053 | 7,629,036 |
| 2014 | 413,523 | 17,783 | 6,497,280 | 3,192,898 | 8,900,000 | 3,769,264 | 15,810,803 | 6,979,945 |
| 2015 - 2019 | 343,400 | 5,237 | 31,840,919 | 12,101,589 | 43,305,000 | 13,093,255 | 75,489,319 | 25,200,081 |
| 2020 - 2024 | - | - | 30,060,061 | 5,727,831 | 33,905,000 | 3,806,643 | 63,965,061 | 9,534,474 |
| 2025 - 2027 | - | - | 12,903,063 | 910,927 | - | 110,756 | 12,903,063 | 1,021,683 |
| Total | \$ 2,382,346 | \$ 214,257 | \$ 113,038,877 | \$ 37,391,758 | \$ 121,415,000 | \$ 39,667,176 | \$ 236,836,223 | \$ 77,273,191 |
| Business-type activities: | | | | | | | | |
| 2010 | \$ 448,408 | 45,455 | \$ 486,449 | 372,148 | \$ - | \$ - | \$ 934,857 | \$ 417,603 |
| 2011 | 360,098 | 31,305 | 486,449 | 352,331 | - | - | 846,547 | 383,636 |
| 2012 | 295,980 | 18,922 | 486,449 | 332,614 | - | - | 782,429 | 351,536 |
| 2013 | 169,204 | 11,066 | 486,449 | 312,897 | - | - | 655,653 | 323,963 |
| 2014 | 169,204 | 5,072 | 486,449 | 293,180 | - | - | 655,653 | 298,252 |
| 2015 - 2019 | - | - | 2,432,245 | 1,161,100 | - | - | 2,432,245 | 1,161,100 |
| 2020 - 2024 | - | - | 2,429,519 | 601,942 | - | - | 2,429,519 | 601,942 |
| 2025 - 2027 | - | - | 1,340,344 | 101,694 | - | - | 1,340,344 | 101,694 |
| Total | \$ 1,442,894 | \$ 111,820 | \$ 8,634,353 | \$ 3,527,906 | \$ - | \$ - | \$ 10,077,247 | \$ 3,639,726 |

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, 2009, such statutory limit for the County was approximately \$1 billion, providing a legal debt margin of approximately \$801 million.

Bonds authorized but unissued at June 30, 2009 were \$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, 2009, there is no balance outstanding.

Subsequent event: The Board of County Commissioners have authorized proceeding with a refunding of General Obligation Bonds series 2001 and 2003 in an amount not to exceed \$27 million. Final terms and conditions of the financing have not been approved by the Board. The sale of these bonds has been scheduled for February 16, 2010; however interest rates have changed such that the refunding of the General Obligation Bonds Series 2003 may not be feasible at the current time. The Board has authorized proceeding with the issuance of \$4,136,434 in financing Qualified School Construction Bond ("QSCB") program to construct the Chapel Hill High School Arts Wing. The County has a proposed financing agreement with BB&T for the tax credit financing with a supplemental coupon for a term of 15 years. This financing has not been approved by the Local Government Commission but under the terms of the QSCB program will have to be closed by December 31, 2009.

Notes to Basic Financial Statements

Note 7. 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 (\$4,547,724) 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, 2009, future minimum rental payments due under the capital leases are as follow:

| | |
|---|----------------------------|
| Total minimum lease payments | \$ 4,151,317 |
| Less amount representing interest | <u>326,077</u> |
| Present value of minimum lease payments | <u><u>\$ 3,825,240</u></u> |

The total rental paid for all operating leases was \$773, 842 for the year ended June 30, 2009. 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

The Board did not officially adopt the long-range capital improvement plan for School Facilities. However the Board officially committed additional funding for school projects totaling \$4,311,827 from pay-as-you-go funding in fiscal year 2009-10. The County is pursuing \$4.1 million in fiscal year 2009-10 from the issuance of QSCB for a High School Arts Wing. Up to an additional \$3.4 million in QSCB financing for another school project may be considered if a sufficient QSCB allocation is received to do the complete project in the 2010 allocation.

3. County Facilities

The Board did not officially adopt the long-range capital improvement plan for County Facilities. However, the Board officially committed additional funding for County projects totaling \$4,595,000 from pay-as-you-go funding. An amount of approximately \$15,525,000 in additional financing is being considered for various County projects. The projects consist of parks and open space, information and communication systems, sewer system development and a solid waste transfer station.

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, 2009, 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 8. Interfund Balances and Activities

The following is a schedule of interfund receivable and payable balances as of June 30, 2009:

| | Primary Government |
|--|-------------------------------|
| For Primary Government: | |
| Due to: | |
| General Fund, net from other funds | \$ 136,000 |
| County Capital Improvements Fund: | |
| County Capital Project from other fund | 66,983 |
| | \$ 202,983 |
| Due from: | |
| Enterprise Fund: | |
| Efland Sewer Fund | \$ 202,983 |

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

Transfers: The following is a summary of transfers for the year ended June 30, 2009:

| Transfers to | Transfers From | | | | | | | Total |
|----------------------------------|-----------------------|----------------------------------|---------------------|-----------------------------------|---|---|-----------------------------------|----------------------|
| | Special Revenue Funds | | | | Capital Projects Funds | | | |
| | General Fund | Community Development Fund | Impact Fee Fund | Schools/ Parks Reserve Fund | County Capital Improvements Fund | School Capital Improvements Fund | Solid Waste Enterprise Fund | |
| General Fund | \$ - | \$ 13,545 | \$ 1,653,900 | \$ - | \$ 350,000 | \$ 100,000 | \$ - | \$ 2,117,445 |
| Special Revenue Funds: | | | | | | | | |
| Property Revaluation | 140,050 | - | - | - | - | - | - | 140,050 |
| Grant Projects | 272,063 | - | - | - | - | - | - | 272,063 |
| Grant Supported | 91,977 | - | - | - | - | - | - | 91,977 |
| Community Development Fund | 374,924 | - | - | - | - | - | - | 374,924 |
| Capital Projects: | | | | | | | | |
| County Capital Improvements Fund | 2,387,500 | - | - | - | - | - | 282,370 | 2,669,870 |
| School Capital Improvements Fund | 7,818,826 | - | - | 585,165 | - | - | - | 8,403,991 |
| Enterprise Fund: | | | | | | | | |
| Efland Sewer Fund | 106,750 | - | - | - | - | - | - | 106,750 |
| SportsPlex Fund | 747,000 | - | - | - | - | - | - | 747,000 |
| Total | \$ 11,939,090 | \$ 13,545 | \$ 1,653,900 | \$ 585,165 | \$ 350,000 | \$ 100,000 | \$ 282,370 | \$ 14,924,070 |

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations

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 4.9% 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, 2009, 2008 and 2007 were \$2,120,553, \$1,843,452 and \$1,749,379, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were \$59,565, \$55,829 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, 2008, the Separation Allowance's membership consisted of:

| | |
|-----------------------------|------------|
| Retirees receiving benefits | 15 |
| Active plan members | 85 |
| Total | 100 |

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (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 22 years. The amortization period is open. The annual required contribution for the current year was determined as part of the December 31, 2008 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. Both (a) and (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 | \$ | 149,948 |
| Interest on net pension obligation | | 35,834 |
| Adjustment to annual required contribution | | (31,237) |
| Annual pension cost | | <u>154,545</u> |
| Contributions made | | <u>184,032</u> |
| Decrease in net pension obligation | | <u>(29,487)</u> |
| Net pension obligation, beginning of year | | <u>494,264</u> |
| Net pension obligation, end of year | \$ | <u><u>464,777</u></u> |

| Fiscal Year Ended | Three-Year Trend Information | | |
|-------------------|------------------------------|--------------------------------|------------------------|
| | Annual Pension Cost ("APC") | Percentage of APC Contribution | Net Pension Obligation |
| June 30, 2007 | \$ 155,421 | 106.44% | \$ 514,801 |
| June 30, 2008 | 154,367 | 113.30% | 494,264 |
| June 30, 2009 | 154,545 | 119.08% | 464,777 |

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (Continued)

4. Other Post-Employment Benefits

Plan description: Under the terms of a County Personnel Ordinance, the County administers a single-employer defined benefit Retiree Healthcare Benefits Plan (the "RHCB Plan"). As of July 1, 2007, this plan provides post employment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable employment with Orange County are age sixty-five with five years of creditable service with the County or retiring on a Disability Retirement with five years of creditable service with the County. The County provides coverage through its employee health insurance plan up to age 65. At age 65 the County provides coverage through a Medicare supplement plan. Retirees can purchase coverage for their dependents who are under age 65 at the County's group rates. The County Commissioners may change the plan by amending the Personnel Ordinance. A separate report was not issued for the plan.

Membership in the RHCB Plan for the County consisted of the following at December 31, 2007, the date of the latest actuarial valuation:

| | |
|-----------------------------|---------------------|
| Retirees receiving benefits | 178 |
| Active plan members: | |
| General Employees | 780 |
| Law Enforcement Officers | 84 |
| Total | <u><u>1,042</u></u> |

The Orange County ABC Board administers a single-employer defined benefit healthcare plan (the "ABC Plan"). The ABC Plan provides healthcare insurance coverage for qualified retired employees as provided by the Orange County ABC Board Policy & Procedural Manual. The ABC Plan does not issue a publicly available report.

Funding Policy: The County pays for the full cost of coverage under its employee health care plan for members with ten years of service and 52% of the cost of coverage for dependents up to age 65. The County pays 50% of the cost of coverage for eligible members with at least five years of service and 26% of the costs of coverage for their dependents. At age 65 the County provides a Medicare supplement plan for members with at least ten years of service at no cost. Members with at least five years of service pay 50% of the cost of coverage. The County does not cover dependents over 65 years of age. The County does not subsidize dependent coverage for eligible retirees hired after July 1, 2008. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current Annual Required Contribution ("ARC") rate is 13.69% of annual covered payroll. For the current year, the County contributed \$1,005,019 or 2.69% of annual covered payroll. The County provides coverage through a self-funded risk financing pool administered by the North Carolina Association of County Commissioners.

The ABC Board's payment requirement for the ABC Plan is based on the insurance premium rates charged by the insurance provider for the Board and is paid in full for the benefit of all qualified retired employees.

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (Continued)

Summary of Significant Accounting Policies: Postemployment expenditures are made from the General Fund and the Solid Waste Fund. The General Fund is maintained on the modified accrual basis of accounting while the Solid Waste Fund is an enterprise fund, which is maintained on the full accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation: The County's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

| | |
|--|-----------------------------|
| Annual required contribution | \$ 5,109,562 |
| Interest on OPEB obligation | 319,381 |
| Adjustment to annual required contribution | (275,543) |
| Annual OPEB cost | 5,153,400 |
| Contributions made | 1,005,019 |
| Increase in net OPEB obligation | 4,148,381 |
| Net OPEB obligation, beginning of year | 7,984,527 |
| Net OPEB obligation, end of year | <u><u>\$ 12,132,908</u></u> |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past two years were as follows:

| Fiscal Year Ended | Annual OPEB Cost ("ARC") | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|--------------------------|--|---------------------|
| June 30, 2008 | \$ 8,829,704 | 9.57% | \$ 7,984,527 |
| June 30, 2009 | 5,153,400 | 19.50% | 12,132,908 |

The ABC Board's annual OPEB expense is calculated based on the ARC of the employer. The ABC Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The actuarially calculated ARC for the years ended June 30, 2009 and 2008 amounted to \$63,837 and \$71,291, respectively. The Board contributed 100% of the annual OPEB for the years ended June 30, 2009 and 2008, respectively leaving a net OPEB obligation balance of zero for both June 30, 2009 and 2008.

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (Continued)

Funded Status and Funding Progress: As of December 31, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability ("UAAL") was \$54,382,277. The covered payroll (annual payroll of active employees covered by the plan) was \$37,345,503, and the ratio of the UAAL to the covered payroll was 145.6 percent.

For the ABC Board, as of December 31, 2007, the most recent actuarial valuation date under the alternative measurement method, the plan was 8.3 percent funded. The actuarial accrued liability for benefits was \$916,327, and the actuarial value of assets was \$76,440, resulting in an unfunded actuarial accrued liability ("UAAL") of \$839,887. The covered payroll (annual payroll of active employees covered by the plan) was \$1,066,706, and the ratio of UAAL to the covered payroll was 78.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007 actuarial valuation, the projected unit credit actuarial cost method was used for the County's Plan. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

The ABC Board has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (Continued)

Mortality – Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Table with Projection Scale AA set forward three years for males and set forward two years for females.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the actuary. A rate of 12.0 percent initially, reduced to an ultimate rate of 5.6 percent after five years, was used.

Health insurance premiums – 2005 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate – The expected long-term inflation assumption of 3.75 percent was used by the actuary.

Payroll growth rate – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the ABC Board's short-term investment portfolio, a discount rate of 6.00% was used. In addition, costs were determined using the Projected Unit Credit Actuarial Cost method. The annual service cost is the present value of the portions of the projected benefit attributable to participation service during the upcoming year, and the accumulated postretirement benefit obligation is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected retirement date was used in allocating costs. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, was 30 years.

5. 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 Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. Article 12 E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 5.0% 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, 2009 were \$242,175, which consisted of \$199,620 from the County and \$42,555 from the law enforcement officers.

Notes to Basic Financial Statements

Note 9. Pension Plan and Other Postemployment Obligations (Continued)

6. 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 eligible county register of deeds who 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. The Registers of Deeds' Supplemental Pension Fund is included in the CAFR for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) 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, 2009, the County's required and actual contributions were \$11,432.

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

Notes to Basic Financial Statements

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

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

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

Notes to Basic Financial Statements

Note 10. 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 \$6,901,744 reported as landfill closure and postclosure care liability in the Solid Waste Fund at June 30, 2009, 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, 82% of the estimated capacity of the landfill site south of Eubank Road and 12% of the estimated capacity of the landfill site for the C&D landfill on Eubanks Road. The landfill is currently estimated to continue operating until the 2012 fiscal year. The total estimated cost of closure and postclosure care is approximately \$6,900,000. 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.

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 2009, 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 11. 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 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.

A limited risk management program is also maintained for employees' dental benefits administered by a third party administrator. 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 2009, a total of \$385,525 was incurred for benefits and administrative costs.

Notes to Basic Financial Statements

Note 11. Risk Management (Continued)

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

| | Year Ended June 30, | |
|--------------------------------------|---------------------|------------------|
| | 2009 | 2008 |
| Unpaid claims, beginning of the year | \$ 25,037 | \$ 23,051 |
| Incurred claims | 364,527 | 345,529 |
| Claim payments | (368,012) | (343,543) |
| Unpaid claims, end of year | <u>\$ 21,552</u> | <u>\$ 25,037</u> |

In accordance with G.S. 159-29, the County's employees who 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.

The County carries flood insurance through the North Carolina Association of County Commissioners Liability and Property Insurance Pool ("NCACC"). The County only has one building located in an area that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency. The County has purchased coverage of \$1,000,000 for the building located in the area designated as "A" above, and an additional amount of flood insurance coverage of \$5,000,000 for all other structures.

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 settled claims have not exceeded coverage in any of the past three fiscal years.

Note 12. 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.

Notes to Basic Financial Statements

Note 13. 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-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 its 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, 2009, the County contributed \$1,370,973 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, 2009. 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 14. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2009 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 statements of the County.

- GASB Statement No. 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.

Notes to Basic Financial Statements

Note 14. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

- GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 (the County's fiscal year ended June 30, 2010). Earlier application is encouraged. For potential hedging derivative instruments existing prior to the fiscal period during which this Statement is implemented, the evaluation of effectiveness should be performed as of the end of the current period. If determined to be effective, hedging derivative instruments are reported as if they were effective from their inception. If determined to be ineffective, the potential hedging derivative instrument is then evaluated as of the end of the prior reporting period.
- GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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) |
|--------------------------|-------------------------------------|---|---------------------------------|--------------------------|---------------------------|---|
| 12/31/2003 | \$ - | \$ 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% |
| 12/31/2007 | - | 1,503,242 | 1,503,242 | 0.00% | 3,831,182 | 39.24% |
| 12/31/2008 | - | 1,586,125 | 1,586,125 | 0.00% | 4,042,490 | 39.24% |

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 |
|---------------------|-------------------------------------|---------------------------|
| 2009 | \$ 149,948 | 122.73% |
| 2008 | 148,678 | 117.64% |
| 2007 | 148,779 | 106.44% |
| 2006 | 127,796 | 106.44% |
| 2005 | 148,323 | 95.38% |
| 2004 | 136,066 | 86.34% |

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, 2008 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay closed |
| Remaining amortization period | 22 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

Healthcare Benefits Plan
 Required Supplementary Information
 Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Projected Unit Credit | Unfunded AAL (UAAL) Obligation | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|---------------------------------|--|--------------------------------------|-----------------|--------------------|--|
| 12/31/2005 | \$ - | \$ 84,540,825 | \$ 84,540,825 | 0.00% | \$ 32,914,392 | 256.9% |
| 12/31/2007 | - | 54,382,277 | 54,382,277 | 0.00% | 37,345,503 | 145.6% |

Orange County, North Carolina

Healthcare Benefits Plan
 Required Supplementary Information
 Schedule of Employer Contributions

| Year Ended | Annual Required Contribution | Percentage Contribution |
|------------|------------------------------------|----------------------------|
| 2009 | \$ 5,109,562 | 19.67% |
| 2008 | 8,829,704 | 9.57% |

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, 2007 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Investment rate of return* | 4.00% |
| Medical cost trend rate* | 12.00% - 6.00% |
| Year of ultimate trend rate | 2016 |
| *Includes inflation at | 3.75% |

Orange County, North Carolina

General Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|---|--------------------|--------------------|---------------------------------|--------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Property taxes: | | | | |
| Property tax | \$ 127,599,689 | \$ 127,317,561 | \$ (282,128) | \$ 118,767,141 |
| Tax penalties and interest | 410,000 | 444,628 | 34,628 | 412,558 |
| Gross receipts tax | 40,000 | 51,158 | 11,158 | 47,043 |
| Total property taxes | 128,049,689 | 127,813,347 | (236,342) | 119,226,742 |
| Sales tax: | | | | |
| Local option sales tax | 18,985,723 | 18,144,604 | (841,119) | 22,677,936 |
| Total sales tax | 18,985,723 | 18,144,604 | (841,119) | 22,677,936 |
| Intergovernmental revenues: | | | | |
| Refunds, gasoline tax | 27,700 | 15,937 | (11,763) | 20,770 |
| Animal tax | 217,621 | 206,630 | (10,991) | 187,364 |
| Beer and wine tax | 215,000 | 213,577 | (1,423) | 215,653 |
| Federal and State grants | 18,692,903 | 16,983,484 | (1,709,419) | 16,146,025 |
| Local grants | 381,716 | 313,735 | (67,981) | 416,591 |
| ABC Board Law enforcement distribution | 120,000 | 100,942 | (19,058) | 110,746 |
| ABC Board Profit distribution | 440,000 | 501,818 | 61,818 | 457,513 |
| Total intergovernmental revenues | 20,094,940 | 18,336,123 | (1,758,817) | 17,554,662 |
| Charges for services: | | | | |
| Register of deeds | 1,836,501 | 1,227,403 | (609,098) | 1,653,781 |
| Land records fees | 4,200 | 824 | (3,376) | 4,539 |
| Collection fees | 125,000 | 143,159 | 18,159 | 139,877 |
| Inspection fees | 610,000 | 489,990 | (120,010) | 645,465 |
| Health service fees | 1,278,637 | 1,132,170 | (146,467) | 1,062,632 |
| Health permits | 573,625 | 337,095 | (236,530) | 436,943 |
| Recreation fees | 170,763 | 161,107 | (9,656) | 154,979 |
| Planning fees | 270,000 | 271,266 | 1,266 | 227,275 |
| Human service charges | 2,400 | 1,955 | (445) | 2,185 |
| Aging fees | 290,545 | 306,692 | 16,147 | 241,946 |
| EMS fees | 1,828,000 | 1,994,215 | 166,215 | 1,790,980 |
| Sheriff and court charges | 2,791,200 | 2,533,875 | (257,325) | 2,585,085 |
| Information system charges | 158,950 | 153,798 | (5,152) | 177,961 |
| Other charges | 145,442 | 115,497 | (29,945) | 93,394 |
| Total charges for services | 10,085,263 | 8,869,046 | (1,216,217) | 9,217,042 |

(Continued)

Orange County, North Carolina

General Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | 2008 | |
|---------------------------------------|--------------------|--------------------|---------------------------------|--------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Investment earnings | \$ 840,000 | \$ 592,004 | \$ (247,996) | \$ 1,582,133 |
| Licenses and permits: | | | | |
| Privilege licenses | 13,000 | 12,789 | (211) | 11,791 |
| Franchise fees | 275,000 | 350,805 | 75,805 | 342,778 |
| Total licenses and permits | 288,000 | 363,594 | 75,594 | 354,569 |
| Miscellaneous revenues: | | | | |
| Donations | 71,510 | 67,740 | (3,770) | 78,933 |
| Rent | 383,858 | 467,297 | 83,439 | 190,204 |
| Other | 449,003 | 480,767 | 31,764 | 417,508 |
| Total other revenues | 904,371 | 1,015,804 | 111,433 | 686,645 |
| Total revenues | 179,247,986 | 175,134,522 | (4,113,464) | 171,299,729 |
| Expenditures | | | | |
| Governing and management: | | | | |
| County Commissioners | 628,194 | 587,603 | 40,591 | 501,608 |
| County manager | 1,115,571 | 1,134,262 | (18,691) | 1,050,411 |
| Animal services | 1,737,042 | 1,654,229 | 82,813 | 1,614,651 |
| Budget | 279,799 | 308,669 | (28,870) | 292,489 |
| Personnel | 798,406 | 640,570 | 157,836 | 745,047 |
| Finance | 555,440 | 618,348 | (62,908) | 455,366 |
| Legal | 58,989 | 48,544 | 10,445 | - |
| Purchasing | 334,443 | 348,968 | (14,525) | 333,934 |
| Central services | 2,644,802 | 2,712,344 | (67,542) | 2,290,305 |
| Nondepartmental | 1,984,139 | 1,397,776 | 586,363 | 1,525,525 |
| Total governing and management | 10,136,825 | 9,451,313 | 685,512 | 8,809,336 |
| General services: | | | | |
| Information systems | 1,335,895 | 1,171,856 | 164,039 | 984,803 |
| Register of deeds | 1,035,116 | 989,255 | 45,861 | 977,832 |
| Land records | 358,043 | 314,891 | 43,152 | 481,842 |
| Assessor | 925,782 | 951,911 | (26,129) | 890,051 |
| Elections | 640,947 | 602,052 | 38,895 | 616,013 |
| Tax collector | 899,582 | 865,409 | 34,173 | 866,280 |
| Buildings and grounds | 4,663,662 | 3,757,108 | 906,554 | 3,431,252 |
| Motor pool | 613,064 | 524,927 | 88,137 | 601,244 |
| Sanitation | 3,037,909 | 2,484,076 | 553,833 | 782,169 |
| Total general services | 13,510,000 | 11,661,485 | 1,848,515 | 9,631,486 |

(Continued)

Orange County, North Carolina

General Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | 2008 | |
|--|-------------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Community and environment: | | | | |
| Planning | \$ 2,736,024 | \$ 2,681,684 | \$ 54,340 | \$ 2,604,894 |
| Environmental resource conservation | 737,916 | 687,419 | 50,497 | 604,922 |
| Economic development | 470,489 | 417,355 | 53,134 | 359,690 |
| Soil and water conservation | 299,733 | 305,531 | (5,798) | 292,501 |
| Nondepartmental | 251,915 | 76,866 | 175,049 | 181,624 |
| Total community and environment | 4,496,077 | 4,168,855 | 327,222 | 4,043,631 |
| Human services: | | | | |
| Social services | 24,333,215 | 21,348,450 | 2,984,765 | 20,639,360 |
| Health | 8,951,525 | 8,294,153 | 657,372 | 8,074,807 |
| Cooperative extension | 503,256 | 478,058 | 25,198 | 510,205 |
| Aging | 2,667,051 | 2,505,639 | 161,412 | 2,525,191 |
| Human rights and relations | 365,216 | 346,320 | 18,896 | 430,751 |
| Child support enforcement | 902,916 | 900,365 | 2,551 | 865,581 |
| Mental health | - | 1,365 | (1,365) | 210 |
| Nondepartmental | 2,037,791 | 1,922,034 | 115,757 | 2,005,057 |
| Total human services | 39,760,970 | 35,796,384 | 3,964,586 | 35,051,162 |
| Education: | | | | |
| Current expense | 62,706,635 | 62,706,635 | - | 56,997,461 |
| Capital outlay | 1,028,080 | 1,028,080 | - | 2,400,000 |
| Nondepartmental | 988,000 | 988,000 | - | 988,000 |
| Total education | 64,722,715 | 64,722,715 | - | 60,385,461 |
| Public safety: | | | | |
| Sheriff | 9,985,566 | 9,943,897 | 41,669 | 9,576,875 |
| Emergency services | 6,824,077 | 6,341,865 | 482,212 | 6,195,925 |
| Courts | 145,900 | 194,240 | (48,340) | 166,129 |
| Nondepartmental | 331,362 | 317,451 | 13,911 | 466,093 |
| Total public safety | 17,286,905 | 16,797,453 | 489,452 | 16,405,022 |
| Culture and recreation: | | | | |
| Recreation and parks | 2,241,691 | 1,969,587 | 272,104 | 1,776,002 |
| Library services | 1,430,971 | 1,352,626 | 78,345 | 1,338,614 |
| Total culture and recreation | 3,672,662 | 3,322,213 | 350,449 | 3,114,616 |

(Continued)

Orange County, North Carolina

General Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | 2008 | |
|--|--------------------|----------------------|---------------------------------|----------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Debt service: | | | | |
| Principal on bonds: | | | | |
| School bond | \$ 12,985,641 | \$ 6,865,130 | \$ 6,120,511 | \$ 7,383,093 |
| County bond | 3,778,684 | 2,009,871 | 1,768,813 | 1,541,907 |
| Private placement: | | | | |
| Schools | 68,965 | 5,918,339 | (5,849,374) | 4,543,434 |
| County | 123,604 | 2,244,839 | (2,121,235) | 1,750,449 |
| | <u>16,956,894</u> | <u>17,038,179</u> | <u>(81,285)</u> | <u>15,218,883</u> |
| Interest and fees: | | | | |
| School bond interest | 6,584,364 | 4,808,983 | 1,775,381 | 4,762,715 |
| County bond interest | 2,567,124 | 892,739 | 1,674,385 | 1,325,956 |
| School private placement interest | 121,081 | 2,075,669 | (1,954,588) | 2,062,379 |
| County private placement interest | - | 1,393,094 | (1,393,094) | 866,744 |
| | <u>9,272,569</u> | <u>9,170,485</u> | <u>102,084</u> | <u>9,017,794</u> |
| Total debt service | <u>26,229,463</u> | <u>26,208,664</u> | <u>20,799</u> | <u>24,236,677</u> |
| Total expenditures | <u>179,815,617</u> | <u>172,129,082</u> | <u>7,686,535</u> | <u>161,677,391</u> |
| Excess of revenues over (under) expenditures | <u>(567,631)</u> | <u>3,005,440</u> | <u>3,573,071</u> | <u>9,622,338</u> |
| Other financing sources (uses) | | | | |
| Capital lease issuances | 345,617 | 562,617 | 217,000 | - |
| Transfers in | 2,653,545 | 2,117,445 | (536,100) | 3,401,082 |
| Transfers out | (11,939,141) | (11,939,090) | 51 | (9,353,512) |
| Appropriated fund balance | 9,507,610 | - | (9,507,610) | - |
| Total other financing sources (uses) | <u>567,631</u> | <u>(9,259,028)</u> | <u>(9,826,659)</u> | <u>(5,952,430)</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses) | <u>\$ -</u> | <u>(6,253,588)</u> | <u>\$ (6,253,588)</u> | <u>3,669,908</u> |
| Fund balance, beginning of year | | 36,454,369 | | 32,811,680 |
| Increase in reserve for inventory | | (39,846) | | (27,219) |
| Fund balance, end of year | | <u>\$ 30,160,935</u> | | <u>\$ 36,454,369</u> |

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Major Governmental Fund

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, 2009

| | Budget to Date | Actual | | | Total to Date |
|--|-------------------|----------------------------|------------------------|------------------|-------------------|
| | | Reported in Prior Years | Closed-Out Projects | Current Year | |
| Revenues | | | | | |
| State grants | \$ 11,358,224 | \$ 4,268,038 | \$ 560,610 | \$ 2,884,864 | \$ 6,592,292 |
| Investment earnings | 1,910,020 | 4,896,114 | 2,338,227 | 100,398 | 2,658,285 |
| Other | 2,607,742 | 1,205,938 | 187,415 | 299,401 | 1,317,924 |
| Total revenues | 15,875,986 | 10,370,090 | 3,086,252 | 3,284,663 | 10,568,501 |
| Expenditures | | | | | |
| Animal shelter | 29,000 | 28,380 | - | 620 | 29,000 |
| Court Street annex | 125,000 | 2,147 | - | - | 2,147 |
| DTCC Community College satellite campus | 4,608,020 | 4,608,021 | - | - | 4,608,021 |
| Emergency management center | 325,500 | 142,215 | - | - | 142,215 |
| Historic courthouse | 240,000 | 86,222 | - | 19,991 | 106,213 |
| Homestead community center | 167,634 | 128,786 | - | 35,057 | 163,843 |
| Jail | 1,375,000 | 72,078 | - | 36,040 | 108,118 |
| Justice facility and new courthouse | 11,979,103 | 9,004,809 | - | 2,668,117 | 11,672,926 |
| New Hope Creek preserve | 614,545 | 270,861 | - | 78,971 | 349,832 |
| OPT modular unit | 32,161 | 26,112 | - | - | 26,112 |
| Orange Enterprises | 827,379 | 827,379 | - | - | 827,379 |
| Senior center - central Orange | 6,460,533 | 3,418,523 | - | 2,606,409 | 6,024,932 |
| Robert and Pearl Seymore Center | 6,260,271 | 6,251,816 | - | 8,455 | 6,260,271 |
| Southern Human Services Center | 50,000 | 43,396 | - | 1,875 | 45,271 |
| Farmers market | 90,000 | 89,415 | - | - | 89,415 |
| Park operations base and county storage | 7,235 | 10,050 | - | - | 10,050 |
| CNG fueling station | 115,190 | 115,190 | - | - | 115,190 |
| Animal services facility | 9,085,287 | 1,082,990 | - | 7,936,901 | 9,019,891 |
| EMS relocation and meadowlands annex | 3,668,723 | 2,738,797 | - | 715,500 | 3,454,297 |
| County campus, office building and library | 25,705,000 | 410,751 | - | 5,924,048 | 6,334,799 |
| Solid waste operation center | 2,482,370 | 474,591 | - | 1,906,631 | 2,381,222 |
| County other | 278,612 | 755,195 | - | 102,121 | 857,316 |
| Blackwood farm | 2,346,935 | 2,126,377 | - | 61,372 | 2,187,749 |
| Cate property | 3,675,000 | 3,550,491 | - | 94,860 | 3,645,351 |
| Northern Human Service Center Park | 1,848,000 | 749,257 | - | 1,000,107 | 1,749,364 |
| Twin Creeks Park | 1,850,000 | 80,554 | - | 99,770 | 180,324 |
| Efland Cheeks Park | 1,120,886 | 1,120,886 | - | - | 1,120,886 |
| Fairview Park | 925,000 | 147,450 | - | 59,453 | 206,903 |

(Continued)

Orange County, North Carolina

County Capital Improvements Fund

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

From Inception and for the Year Ended June 30, 2009

| | Budget to Date | Actual | | Total to Date | |
|---|----------------|----------------------------|------------------------|---------------|--------------|
| | | Reported in Prior Years | Closed-Out Projects | | Current Year |
| Conservation easements | \$ 7,168,856 | \$ 4,936,143 | \$ - | \$ 10,000 | \$ 4,946,143 |
| Greenways development | 783,426 | 783,426 | - | - | 783,426 |
| Homestead Park and Aquatics Center | 4,500,000 | 3,811,630 | - | 592,352 | 4,403,982 |
| Lands Legacy - unallocated | 7,684,775 | 3,520,163 | - | 3,100 | 3,523,263 |
| Little River natural area and park | 1,477,206 | 1,476,021 | - | - | 1,476,021 |
| McGowan Creek preserve | 338,523 | 338,521 | - | - | 338,521 |
| Other park projects | 2,000,000 | 1,500 | - | - | 1,500 |
| Parkland & Recreation facilities | 113,570 | 86,007 | - | - | 86,007 |
| Seven Mile Creek preserve | 490,826 | 490,826 | - | - | 490,826 |
| Smith Middle School Park | 250,000 | 152,111 | - | - | 152,111 |
| Southern Park | 3,925,000 | 3,186,240 | - | 695,756 | 3,881,996 |
| SportsPlex | 4,384,442 | 4,384,442 | - | - | 4,384,442 |
| Walters farmland preserve | 215,000 | - | - | - | - |
| Bolin Creek greenway | 75,000 | 75,000 | - | - | 75,000 |
| West Ten Soccer Complex | 4,000,128 | 2,518,911 | - | 1,395,838 | 3,914,749 |
| Northern Human Services Center | 317,424 | 307,523 | - | 6,900 | 314,423 |
| Central recreation repairs | 523,940 | 391,218 | - | 10,465 | 401,683 |
| Orange High School tennis court resurfacing | 150,000 | 165,000 | - | - | 165,000 |
| River Park development | 50,000 | - | - | - | - |
| Lake Michael Park | 75,000 | - | - | 75,000 | 75,000 |
| Millhouse Road Park | 238,712 | 188,712 | - | - | 188,712 |
| Recreation and parks capital maintenance | 25,000 | 24,360 | - | - | 24,360 |
| Northeast Park | - | 3,000 | 3,000 | - | - |
| Utility extension development | 165,000 | 88,428 | - | - | 88,428 |
| Building safety | 103,451 | 37,876 | - | - | 37,876 |
| Roofing projects | 1,333,100 | 734,698 | - | 8,558 | 743,256 |
| Affordable housing | 6,115,000 | 2,953,480 | - | 894,716 | 3,848,196 |
| Information technology | 4,826,000 | 2,496,203 | - | 103,797 | 2,600,000 |
| Register of Deeds automation enhancement | 900,964 | 676,422 | - | 13,029 | 689,451 |
| Equipment and vehicles | 5,362,701 | 4,816,867 | 4,816,866 | 199,472 | 199,473 |
| Connecting Orange County | 30,000 | - | - | - | - |
| Medicaid maximization | 1,816,093 | 346,629 | - | 1,842 | 348,471 |
| Emergency power | 282,000 | 200,986 | - | - | 200,986 |
| Solid waste collection centers | 140,000 | 28,699 | - | - | 28,699 |
| Loan pool reserve | 75,000 | - | - | 75,000 | 75,000 |
| Efland sewer extension | 4,417,300 | - | - | 6,190 | 6,190 |
| HVAC projects | 593,000 | 105,500 | - | 396,722 | 502,222 |

(Continued)

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Orange County, North Carolina

County Capital Improvements Fund

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

From Inception and for the Year Ended June 30, 2009

| | Budget to Date | Actual | | | Total to Date |
|---|----------------------|----------------------------|------------------------|----------------------|----------------------|
| | | Reported in Prior Years | Closed-Out Projects | Current Year | |
| ADA compliance | \$ 100,000 | \$ 16,058 | \$ - | \$ - | \$ 16,058 |
| Masonry repairs | 10,000 | 9,200 | - | - | 9,200 |
| Painting of county facilities | 13,000 | 12,623 | - | - | 12,623 |
| Assessments and testing | 35,000 | 6,800 | - | - | 6,800 |
| Capital repairs and replacement reserve | 50,000 | 16,555 | - | - | 16,555 |
| County facilities art reserve | 60,000 | 1,690 | - | - | 1,690 |
| Elevator repairs and improvements | 70,000 | 61,365 | - | - | 61,365 |
| Fire alarm systems | 30,000 | - | - | - | - |
| Flooring replacement | 17,000 | 16,387 | - | - | 16,387 |
| Parking lot repairs | 240,000 | 5,358 | - | - | 5,358 |
| Signage | 20,000 | 3,700 | - | - | 3,700 |
| Utilities demand reduction systems | 130,000 | 23,129 | - | 28,630 | 51,759 |
| Emergency communications | 100,000 | - | - | 99,429 | 99,429 |
| Employee parking | 50,000 | - | - | - | - |
| Upfit of county space - Link Center | 100,000 | - | - | - | - |
| Hillsborough Commons | 3,790,000 | - | - | 1,080,989 | 1,080,989 |
| Efland rescue building | 12,500 | - | - | - | - |
| Board of elections office | 97,000 | - | - | - | - |
| Value added processing center | 132,000 | - | - | - | - |
| Total expenditures | 156,295,321 | 77,862,146 | 4,819,866 | 29,054,083 | 102,096,363 |
| Deficiency of revenues over expenditures | (140,419,335) | (67,492,056) | (1,733,614) | (25,769,420) | (91,527,862) |
| Other financing sources (uses) | | | | | |
| Bonds issuance | 35,889,966 | 32,517,500 | - | - | 32,517,500 |
| Installment loan issuance | 80,326,456 | 36,661,286 | 3,598,368 | 38,700,000 | 71,762,918 |
| Capital lease issuance | - | 1,234,705 | - | - | 1,234,705 |
| Transfers in | 26,860,745 | 19,315,431 | 401,661 | 2,669,870 | 21,583,640 |
| Transfers out | (2,782,932) | (4,246,347) | (2,266,415) | (350,000) | (2,329,932) |
| Appropriated fund balance | 125,100 | - | - | - | - |
| Total other financing sources | 140,419,335 | 85,482,575 | 1,733,614 | 41,019,870 | 124,768,831 |
| Excess of revenues and other financing sources over expenditures | \$ - | \$ 17,990,519 | \$ - | 15,250,450 | \$ 33,240,969 |
| Fund balance, beginning of year | | | | 17,990,519 | |
| Fund balance, end of year | | | | <u>\$ 33,240,969</u> | |

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, 2009

| | Budget to Date | Actual | | | Total to Date |
|-------------------------------------|--------------------|----------------------------|------------------------|------------------|--------------------|
| | | Reported in Prior Years | Closed-Out Projects | Current Year | |
| Revenues | | | | | |
| State grants | \$ 7,531,458 | \$ 6,699,670 | \$ - | \$ - | \$ 6,699,670 |
| Investment earnings | 2,425,887 | 2,716,318 | 65,523 | 5,604 | 2,656,399 |
| Sales tax | 1,882,600 | 1,085,142 | - | 669,846 | 1,754,988 |
| Lottery proceeds | 2,598,202 | - | - | 2,048,202 | 2,048,202 |
| Other | 4,576,941 | 3,140,034 | 427,478 | 410,961 | 3,123,517 |
| Total revenues | 19,015,088 | 13,641,164 | 493,001 | 3,134,613 | 16,282,776 |
| Expenditures | | | | | |
| Orange County Schools: | | | | | |
| A.L. Stanback Middle School | 14,463,986 | 14,283,398 | - | 115,514 | 14,398,912 |
| Cameron Park Elementary | 393,285 | 277,494 | - | 115,791 | 393,285 |
| Efland Cheeks Elementary | 562,000 | 517,000 | - | 36,459 | 553,459 |
| Grady Brown Elementary | 256,000 | 176,957 | - | 25,003 | 201,960 |
| Hillsborough Elementary | 1,256,250 | 1,161,250 | - | - | 1,161,250 |
| Hillsborough Elementary renovations | 1,442,965 | 1,442,965 | - | - | 1,442,965 |
| New Hope Elementary renovations | 145,000 | - | - | 62,591 | 62,591 |
| Pathways Elementary | 13,014,081 | 13,006,380 | - | - | 13,006,380 |
| Gravelly Hill Middle School | 23,678,783 | 23,169,149 | - | 55,308 | 23,224,457 |
| Stanford Middle School | 3,183,897 | 2,485,968 | - | 502,673 | 2,988,641 |
| Cedar Ridge High School | 28,870,000 | 28,830,156 | - | 6,240 | 28,836,396 |
| Orange High School | 3,106,743 | 2,906,743 | - | 131,765 | 3,038,508 |
| Alternative School | 600,000 | 600,000 | - | - | 600,000 |
| Air conditioning | 2,941,094 | 2,930,776 | - | - | 2,930,776 |
| Asbestos removal | 401,543 | 382,906 | - | 18,636 | 401,542 |
| Bus garage | 340,000 | 300,000 | - | 25,944 | 325,944 |
| Central elementary air | 284,268 | 144,268 | - | 98,172 | 242,440 |
| Electric service upgrades | 629,154 | 627,241 | - | 1,913 | 629,154 |
| Emergency preparedness improvements | 154,656 | 154,656 | - | - | 154,656 |
| Energy management system | 416,866 | 413,716 | - | 3,150 | 416,866 |
| Environmental testing | 145,607 | 145,607 | - | - | 145,607 |
| Flooring replacements | 409,000 | 398,188 | - | 1,376 | 399,564 |
| Handicap accessibility | 601,231 | 601,231 | - | - | 601,231 |
| HVAC upgrades/improvements | 611,745 | 588,194 | - | 23,550 | 611,744 |
| Indoor air quality | 14,000 | 14,000 | - | - | 14,000 |
| Kitchen renovations | 405,000 | 405,000 | - | - | 405,000 |
| Planning for future projects | 163,897 | 163,897 | - | - | 163,897 |
| Playground protective surface | 153,974 | 153,793 | - | - | 153,793 |
| Recurring capital | 140,581 | 140,581 | - | - | 140,581 |
| Reserve for new elementary school | 85,794 | 85,794 | - | - | 85,794 |
| Roofing projects | 748,310 | 734,948 | - | - | 734,948 |
| Technology plan | 10,092,200 | 9,592,277 | - | 255,837 | 9,848,114 |
| District wide improvements | 132,000 | - | - | 84,255 | 84,255 |
| Total Orange County Schools | 109,843,910 | 106,834,533 | - | 1,564,177 | 108,398,710 |

(Continued)

Orange County, North Carolina

School Capital Improvements Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
 From Inception and for the Year Ended June 30, 2009

| | Budget to Date | Actual | | | Total to Date |
|--|--------------------|----------------------------|------------------------|---------------------|--------------------|
| | | Reported in Prior Years | Closed-Out Projects | Current Year | |
| Chapel Hill Carrboro Schools: | | | | | |
| Carrboro Elementary School | \$ 286,316 | \$ 286,316 | \$ - | \$ - | \$ 286,316 |
| Elementary #9 | 13,372,462 | 12,622,024 | - | - | 12,622,024 |
| Elementary #11 | 974,000 | - | - | 533,460 | 533,460 |
| Frank Porter Graham Elementary | 165,000 | 165,000 | - | - | 165,000 |
| Glenwood Elementary major renovations | - | 2,604 | 2,604 | - | - |
| Morris Grove Elementary | 24,257,751 | 21,138,778 | - | 3,048,902 | 24,187,680 |
| Phillips Middle School renovations | 365,000 | 61,324 | - | - | 61,324 |
| Sewell Elementary | 25,000 | 10,372 | - | - | 10,372 |
| Smith Middle School campus | 19,815,474 | 19,815,474 | - | - | 19,815,474 |
| Carrboro High School | 36,823,800 | 36,007,432 | - | 760,762 | 36,768,194 |
| Abatement projects | 490,000 | 299,288 | - | 50,247 | 349,535 |
| ADA requirements | 398,150 | 276,059 | - | 6,586 | 282,645 |
| ATH facilities/playgrounds | 2,422,387 | 2,386,233 | - | 33,420 | 2,419,653 |
| Classroom/academic improvements | 1,045,000 | 348,975 | - | 201,179 | 550,154 |
| Doors, hardware, canopies | 867,277 | 530,193 | - | 100,777 | 630,970 |
| Electrical systems | 395,000 | 29,783 | - | 180,689 | 210,472 |
| Energy efficiency renovations | 225,000 | 225,000 | - | - | 225,000 |
| Fire, safety and security | 1,629,759 | 1,429,759 | - | 200,000 | 1,629,759 |
| Indoor air quality | 2,483,609 | 2,282,919 | - | 12,851 | 2,295,770 |
| Kitchen renovations | 100,000 | 100,000 | - | - | 100,000 |
| Lincoln center conversion | 624,202 | 41,548 | - | 579,983 | 621,531 |
| Mechanical systems | 3,470,043 | 2,734,339 | - | 376,227 | 3,110,566 |
| Mobile classrooms | 2,246,800 | 2,005,874 | - | 122,906 | 2,128,780 |
| Mobile units | 203,480 | 203,480 | - | - | 203,480 |
| Parking lot improvements | 1,301,860 | 677,695 | - | 49,341 | 727,036 |
| Planning for future projects | 958,146 | 958,146 | - | - | 958,146 |
| Reserve for future projects | 402,129 | 196,652 | - | - | 196,652 |
| Roofing projects | 4,073,072 | 3,277,537 | - | 215,142 | 3,492,679 |
| Roofing projects (phase 2) | 944,063 | 944,063 | - | - | 944,063 |
| Technology | 13,832,502 | 12,731,792 | - | 886,663 | 13,618,455 |
| Window replacements | 1,875,000 | 1,523,448 | - | 149,094 | 1,672,542 |
| Total Chapel Hill Carrboro Schools | 136,072,282 | 123,312,107 | 2,604 | 7,508,229 | 130,817,732 |
| Other expenditures | 1,934,887 | 265,388 | 28,067 | 481,229 | 718,550 |
| Total expenditures | 247,851,079 | 230,412,028 | 30,671 | 9,553,635 | 239,934,992 |
| Deficiency of revenues over expenditures | (228,835,991) | (216,770,864) | 462,330 | (6,419,022) | (223,652,216) |
| Other financing sources (uses) | | | | | |
| Bonds issuance | 105,884,675 | 105,459,039 | 907,122 | - | 104,551,917 |
| Installment loan issuance | 59,315,213 | 59,067,000 | - | - | 59,067,000 |
| Transfers in | 64,019,103 | 54,718,198 | (1,369,452) | 8,403,991 | 64,491,641 |
| Transfers out | (625,000) | (1,948,502) | - | (100,000) | (2,048,502) |
| Appropriated fund balance | 242,000 | - | - | - | - |
| Total other financing sources | 228,835,991 | 217,295,735 | (462,330) | 8,303,991 | 226,062,056 |
| Excess of revenues and other financing sources over expenditures | \$ - | \$ 524,871 | \$ - | 1,884,969 | \$ 2,409,840 |
| Fund balance, beginning of year | | | | 524,871 | |
| Fund balance, end of year | | | | <u>\$ 2,409,840</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.

Visitors' 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, 2009

| | Impact Fee | Property Revaluation | Community Development | School Capital Reserve | Section 8 Housing | Grant Supported | Grant Projects |
|--|---------------------|-------------------------|--------------------------|------------------------------|----------------------|--------------------|-------------------|
| Assets | | | | | | | |
| Cash and investments | \$ 1,175,045 | \$ 94,541 | \$ 384,334 | \$ 1,882 | \$ 818,599 | \$ 26,398 | \$ 433,353 |
| Accounts receivable: | | | | | | | |
| Property taxes, net | - | - | - | - | - | - | - |
| Federal | - | - | 100,135 | - | - | - | 143,704 |
| State | - | - | - | - | - | 61,305 | - |
| Other | 76,813 | - | 15,171 | - | - | 22,907 | - |
| Total assets | \$ 1,251,858 | \$ 94,541 | \$ 499,640 | \$ 1,882 | \$ 818,599 | \$ 110,610 | \$ 577,057 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ 3,405 | \$ 7,266 | - | 2,112 | \$ 8,702 | \$ 1,319 |
| Payroll withholdings | - | 1,070 | 143 | - | 4,803 | 3,669 | 5 |
| Due to other funds | - | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - | - |
| Total liabilities | - | 4,475 | 7,409 | - | 6,915 | 12,371 | 1,324 |
| Fund balances: | | | | | | | |
| Reserved for encumbrances | - | - | 5,260 | - | - | 14,027 | 635 |
| Reserve for State statute | 76,813 | - | 115,306 | - | - | 84,212 | 143,704 |
| Unreserved: | | | | | | | |
| Designated for subsequent year's expenditures | - | 65,289 | - | - | - | - | - |
| Undesignated | 1,175,045 | 24,777 | 371,665 | 1,882 | 811,684 | - | 431,394 |
| Total fund balances | 1,251,858 | 90,066 | 492,231 | 1,882 | 811,684 | 98,239 | 575,733 |
| Total liabilities and fund balances | \$ 1,251,858 | \$ 94,541 | \$ 499,640 | \$ 1,882 | \$ 818,599 | \$ 110,610 | \$ 577,057 |

| Emergency Telephone System | Visitors' Bureau | Local Fire Districts | Heusner | Library Development | Adoption Enhancement | Recreation Subdivision | Total Other Nonmajor Governmental Funds |
|----------------------------|-------------------|----------------------|-----------------|---------------------|----------------------|------------------------|---|
| \$ 1,281,837 | \$ 247,098 | \$ 237,880 | \$ 9,116 | \$ 135,863 | \$ 75,854 | \$ 1,270,206 | \$ 6,192,006 |
| - | - | 78,716 | - | - | - | - | 78,716 |
| - | - | - | - | - | - | - | 243,839 |
| 109,508 | - | - | - | - | - | - | 170,813 |
| - | 161,813 | - | - | - | - | - | 276,704 |
| <u>\$ 1,391,345</u> | <u>\$ 408,911</u> | <u>\$ 316,596</u> | <u>\$ 9,116</u> | <u>\$ 135,863</u> | <u>\$ 75,854</u> | <u>\$ 1,270,206</u> | <u>\$ 6,962,078</u> |
| \$ 49,582 | \$ 10,360 | \$ - | \$ - | \$ - | \$ 4,912 | \$ - | \$ 87,658 |
| 2,206 | 4,377 | - | - | - | - | - | 16,273 |
| - | - | - | - | - | - | - | - |
| - | - | 78,716 | - | - | - | - | 78,716 |
| <u>51,788</u> | <u>14,737</u> | <u>78,716</u> | <u>-</u> | <u>-</u> | <u>4,912</u> | <u>-</u> | <u>182,647</u> |
| - | 285 | - | - | - | 65 | - | 20,272 |
| 109,508 | 161,813 | - | - | - | - | - | 691,356 |
| - | - | 6,000 | - | - | - | - | 71,289 |
| <u>1,230,049</u> | <u>232,076</u> | <u>231,880</u> | <u>9,116</u> | <u>135,863</u> | <u>70,877</u> | <u>1,270,206</u> | <u>5,996,514</u> |
| <u>1,339,557</u> | <u>394,174</u> | <u>237,880</u> | <u>9,116</u> | <u>135,863</u> | <u>70,942</u> | <u>1,270,206</u> | <u>6,779,431</u> |
| <u>\$ 1,391,345</u> | <u>\$ 408,911</u> | <u>\$ 316,596</u> | <u>\$ 9,116</u> | <u>\$ 135,863</u> | <u>\$ 75,854</u> | <u>\$ 1,270,206</u> | <u>\$ 6,962,078</u> |

Orange County, North Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2009

| | Impact Fee | Property Revaluation | Community Development | School Capital Reserve | Section 8 Housing | Grant Supported | Grant Projects |
|--|---------------------|-------------------------|--------------------------|------------------------------|----------------------|--------------------|-------------------|
| Revenues | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | - | - | 750,884 | - | 4,092,221 | 429,722 | 613,929 |
| Charges for services | - | - | - | - | - | 61,748 | - |
| Investment earnings | 27,897 | 597 | 166 | 7,004 | 14,148 | - | - |
| Impact fees | 1,238,494 | - | - | - | - | - | - |
| Miscellaneous | - | - | 51,931 | - | - | - | - |
| Total revenues | 1,266,391 | 597 | 802,981 | 7,004 | 4,106,369 | 491,470 | 613,929 |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General services | - | - | 1,249,744 | - | - | - | - |
| Community and environment | - | 159,789 | - | - | 4,276,117 | 553,897 | 6,436 |
| Human services | - | - | - | - | - | - | 37,731 |
| Public safety | - | - | - | - | - | - | 279,996 |
| Total expenditures | - | 159,789 | 1,249,744 | - | 4,276,117 | 553,897 | 324,163 |
| Excess (deficiency) of revenues over (under) expenditures | 1,266,391 | (159,192) | (446,763) | 7,004 | (169,748) | (62,427) | 289,766 |
| Other financing sources (uses) | | | | | | | |
| Transfers in | - | 140,050 | 374,924 | - | - | 91,977 | 272,063 |
| Transfers out | (1,653,900) | - | (13,545) | (585,165) | - | - | - |
| Total other financing sources (uses) | (1,653,900) | 140,050 | 361,379 | (585,165) | - | 91,977 | 272,063 |
| Net change in fund balances | (387,509) | (19,142) | (85,384) | (578,161) | (169,748) | 29,550 | 561,829 |
| Fund balances, beginning | 1,639,367 | 109,208 | 577,615 | 580,043 | 981,432 | 68,689 | 13,904 |
| Fund balances, ending | \$ 1,251,858 | \$ 90,066 | \$ 492,231 | \$ 1,882 | \$ 811,684 | \$ 98,239 | \$ 575,733 |

| Emergency Telephone System | Visitors' Bureau | Local Fire Districts | Heusner | Library Development | Adoption Enhancement | Recreation Subdivision | Total Other Nonmajor Governmental Funds |
|----------------------------|------------------|----------------------|----------|---------------------|----------------------|------------------------|---|
| \$ - | \$ 935,220 | \$ 3,050,578 | \$ - | \$ - | \$ - | \$ - | \$ 3,985,798 |
| - | - | - | - | - | - | - | 5,886,756 |
| 643,376 | - | - | - | - | 65,701 | - | 770,825 |
| 16,422 | 4,981 | 3,182 | 118 | 3,891 | 905 | 16,373 | 95,684 |
| - | - | - | - | - | - | - | 1,238,494 |
| - | 83,826 | - | - | - | - | 17,912 | 153,669 |
| 659,798 | 1,024,027 | 3,053,760 | 118 | 3,891 | 66,606 | 34,285 | 12,131,226 |
| - | - | - | - | - | - | - | 1,249,744 |
| - | 1,067,299 | - | - | - | - | - | 6,063,538 |
| - | - | - | - | - | 76,149 | - | 113,880 |
| 750,674 | - | 3,098,187 | - | - | - | - | 4,128,857 |
| 750,674 | 1,067,299 | 3,098,187 | - | - | 76,149 | - | 11,556,019 |
| (90,876) | (43,272) | (44,427) | 118 | 3,891 | (9,543) | 34,285 | 575,207 |
| - | - | - | - | - | - | - | 879,014 |
| - | - | - | - | - | - | - | (2,252,610) |
| - | - | - | - | - | - | - | (1,373,596) |
| (90,876) | (43,272) | (44,427) | 118 | 3,891 | (9,543) | 34,285 | (798,389) |
| 1,430,433 | 437,446 | 282,307 | 8,998 | 131,972 | 80,485 | 1,235,921 | 7,577,820 |
| \$ 1,339,557 | \$ 394,174 | \$ 237,880 | \$ 9,116 | \$ 135,863 | \$ 70,942 | \$ 1,270,206 | \$ 6,779,431 |

Orange County, North Carolina

Impact Fee Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|---|------------------|---------------------|---------------------------------|---------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Fees, Orange County Schools | \$ 1,090,000 | \$ 714,544 | \$ (375,456) | \$ 1,049,731 |
| Fees, Chapel Hill, Carrboro Schools | 1,100,000 | 523,950 | (576,050) | 454,791 |
| Total impact fees | 2,190,000 | 1,238,494 | (951,506) | 1,504,522 |
| Investment earnings, Orange County Schools | - | 24,444 | 24,444 | 56,930 |
| Investment earnings, Chapel Hill, Carrboro Schools | - | 3,453 | 3,453 | 31,046 |
| Total investment earnings | - | 27,897 | 27,897 | 87,976 |
| Total revenues | 2,190,000 | 1,266,391 | (923,609) | 1,592,498 |
| Other financing uses | | | | |
| Transfer out | (2,190,000) | (1,653,900) | 536,100 | (2,070,000) |
| Deficiency of revenues over other financing uses | \$ - | (387,509) | \$ (387,509) | (477,502) |
| Fund balance, beginning of year | | 1,639,367 | | 2,116,869 |
| Fund balance, end of year | | <u>\$ 1,251,858</u> | | <u>\$ 1,639,367</u> |

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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|--|------------------|------------------|---------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Investment earnings | \$ - | \$ 597 | \$ 597 | \$ 1,096 |
| Expenditures | | | | |
| Community and environment: | | | | |
| Property revaluation: | | | | |
| Personal services | 88,609 | 91,103 | (2,494) | 59,427 |
| Operations | 111,590 | 68,686 | 42,904 | 14,885 |
| Total expenditures | 200,199 | 159,789 | 40,410 | 74,312 |
| Deficiency of revenues under expenditures | (200,199) | (159,192) | 41,007 | (73,216) |
| Other financing sources | | | | |
| Transfers in | 140,050 | 140,050 | - | 124,000 |
| Appropriated fund balance | 60,149 | - | (60,149) | - |
| Total other financing sources | 200,199 | 140,050 | (60,149) | 124,000 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | (19,142) | \$ (19,142) | 50,784 |
| Fund balance, beginning of year | | 109,208 | | 58,424 |
| Fund balance, end of year | | <u>\$ 90,066</u> | | <u>\$ 109,208</u> |

Orange County, North Carolina

Special Revenue - Community Development Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2009

| | Budget to Date | Actual | | | Total to Date |
|---|-------------------|----------------------------|--------------------|-------------------|-------------------|
| | | Reported in Prior Years | Closed Projects | Current Year | |
| Revenues | | | | | |
| HUD Grants | \$ 9,115,954 | \$ 5,945,344 | \$ - | \$ 616,588 | \$ 6,561,932 |
| CDBG grants: | | | | | |
| Richmond Hills | 250,000 | 250,000 | - | - | 250,000 |
| Scattered Site | 1,200,000 | 800,000 | - | 134,296 | 934,296 |
| HOME partnership | 803,600 | 803,600 | - | - | 803,600 |
| IDA | 95,000 | 37,625 | - | - | 37,625 |
| Investment earnings | 1,000 | 7,561 | - | 166 | 7,727 |
| Program income, HOME | 85,000 | 657,187 | - | 51,931 | 709,118 |
| Other | 159,830 | 137,111 | - | - | 137,111 |
| Total revenues | 11,710,384 | 8,638,428 | - | 802,981 | 9,441,409 |
| Expenditures | | | | | |
| General services: | | | | | |
| Administration | 1,871,407 | 1,466,063 | - | 180,339 | 1,646,402 |
| Administration, Richmond Hills | 250,000 | 250,000 | - | - | 250,000 |
| Administration, Scattered Site | 120,000 | 78,430 | - | - | 78,430 |
| Administration, IDA | 395,898 | 118,656 | - | 69,738 | 188,394 |
| Rehabilitation | 5,290,899 | 4,068,033 | - | 548,617 | 4,616,650 |
| Rehabilitation, HOME partnership | 453,600 | 459,133 | - | - | 459,133 |
| Rehabilitation, Scattered Site | 1,080,000 | 719,716 | - | 134,296 | 854,012 |
| Affordable housing, Impact fee reimbursement | 4,440,846 | 3,016,466 | - | 316,754 | 3,333,220 |
| Affordable housing, HOME partnership | 150,000 | 143,500 | - | - | 143,500 |
| Public facilities improvement, HOME partnership | 200,000 | 197,098 | - | - | 197,098 |
| Total expenditures | 14,252,650 | 10,517,095 | - | 1,249,744 | 11,766,839 |
| Deficiency of revenues under expenditures | (2,542,266) | (1,878,667) | - | (446,763) | (2,325,430) |
| Other financing sources (uses) | | | | | |
| Transfers in | 3,985,064 | 3,066,603 | (279,665) | 374,924 | 3,441,527 |
| Transfers out | (1,456,764) | (610,321) | 279,665 | (13,545) | (623,866) |
| Appropriated fund balance | 13,966 | - | - | - | - |
| Total other financing sources | 2,542,266 | 2,456,282 | - | 361,379 | 2,817,661 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | \$ 577,615 | \$ - | (85,384) | \$ 492,231 |
| Fund balance, beginning of year | | | | 577,615 | |
| Fund balance, end of year | | | | <u>\$ 492,231</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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | | 2008 |
|--|-------------|------------------|---------------------------------|-------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| Investment earnings | \$ - | \$ 7,004 | \$ 7,004 | \$ 18,237 |
| Other financing sources (uses) | | | | |
| Transfers out | (589,044) | (585,165) | 3,879 | - |
| Appropriated fund balance | 589,044 | - | (589,044) | - |
| Total other financing sources (uses) | - | (585,165) | (585,165) | - |
| Excess (deficiency) of revenues over (under) other financing sources (uses) | <u>\$ -</u> | <u>(578,161)</u> | <u>\$ (578,161)</u> | 18,237 |
| Fund balance, beginning of year | | 580,043 | | 561,806 |
| Fund balance, end of year | | <u>\$ 1,882</u> | | <u>\$ 580,043</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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|--|------------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Federal grants: | | | | |
| Housing vouchers | \$ 3,975,720 | \$ 4,092,221 | \$ 116,501 | \$ 4,548,495 |
| Investment earnings | - | 14,148 | 14,148 | 28,725 |
| Total revenues | 3,975,720 | 4,106,369 | 130,649 | 4,577,220 |
| Expenditures | | | | |
| Community and environment: | | | | |
| Housing vouchers: | | | | |
| Administration | 373,980 | 472,763 | (98,783) | 393,674 |
| Assistance payments | 3,601,740 | 3,803,354 | (201,614) | 3,817,384 |
| Total expenditures | 3,975,720 | 4,276,117 | (300,397) | 4,211,058 |
| Excess (deficiency) of revenues over (under) expenditures | - | (169,748) | (169,748) | 366,162 |
| Other financing sources | | | | |
| Appropriated fund balance | - | - | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | (169,748) | \$ (169,748) | 366,162 |
| Fund balance, beginning of year | | 981,432 | | 615,270 |
| Fund balance, end of year | | \$ 811,684 | | \$ 981,432 |

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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | | 2008 |
|---|------------------|------------------|---------------------------------|------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| Health Grants | \$ 240,016 | \$ 196,040 | \$ (43,976) | \$ 310,890 |
| Aging | 42,700 | 42,472 | (228) | 48,111 |
| Sheriff | 174,759 | 191,210 | 16,451 | 236,540 |
| Charges for services | 105,632 | 61,748 | (43,884) | 74,464 |
| Total revenues | 563,107 | 491,470 | (71,637) | 670,005 |
| Expenditures | | | | |
| Health: | | | | |
| Personal services | 164,814 | 126,781 | 38,033 | 218,931 |
| Operating | 3,750 | 3,180 | 570 | 37,534 |
| Aging: | | | | |
| Personal services | 132,792 | 134,861 | (2,069) | 134,015 |
| Operating | 123,435 | 82,242 | 41,193 | 63,360 |
| EMS: | | | | |
| Personal services | 50,084 | 51,471 | (1,387) | 23,217 |
| Operating | 207,432 | 155,362 | 52,070 | 195,096 |
| Total expenditures | 682,307 | 553,897 | 128,410 | 672,153 |
| Deficiency of revenues under expenditures | (119,200) | (62,427) | 56,773 | (2,148) |
| Other financing sources | | | | |
| Transfers in | 91,977 | 91,977 | - | 75,322 |
| Transfers out | - | - | - | (7,537) |
| Appropriated fund balance | 27,223 | - | (27,223) | - |
| Total other financing sources | 119,200 | 91,977 | (27,223) | 67,785 |
| Excess of revenues and other financing sources over expenditures | \$ - | 29,550 | \$ 29,550 | 65,637 |
| Fund balance, beginning of year | | <u>68,689</u> | | <u>3,052</u> |
| Fund balance, end of year | | <u>\$ 98,239</u> | | <u>\$ 68,689</u> |

Orange County, North Carolina

Special Revenue - Grant Projects Fund

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

From Inception and for the Year Ended June 30, 2008

| | Budget to Date | Actual | | | |
|---|--------------------|------------------|----------------|-------------------|-------------------|
| | | Reported in | Closed | | Total to Date |
| | | Prior Year | Projects | Current Year | |
| Revenues | | | | | |
| Social Services Grants | \$ 293,598 | \$ 248,233 | \$ 5,999 | \$ - | \$ 242,234 |
| Health Grants | 2,569,479 | 1,909,385 | - | - | 1,909,385 |
| Cooperative extension | 271,971 | 100,261 | - | 11,732 | 111,993 |
| Aging | 473,526 | 521,778 | 521,778 | - | - |
| Emergency management grants | 1,537,272 | 1,406,316 | - | - | 1,406,316 |
| Sheriff | 3,802,766 | 1,809,583 | - | 520,497 | 2,330,080 |
| Planning | 503,120 | 285,085 | - | 81,700 | 366,785 |
| Library | 15,113 | 14,971 | - | - | 14,971 |
| Total revenues | 9,466,845 | 6,295,612 | 527,777 | 613,929 | 6,381,764 |
| Expenditures | | | | | |
| Community and environment: | | | | | |
| Personal services | 77,782 | - | - | - | - |
| Operating | 189,020 | 44,437 | - | 6,436 | 50,873 |
| Social services: | | | | | |
| Personal services | 237,926 | 84,329 | - | - | 84,329 |
| Operating | 55,672 | 57,578 | - | - | 57,578 |
| Health: | | | | | |
| Personal services | 1,878,741 | 1,468,106 | - | 86 | 1,468,192 |
| Operating | 742,907 | 468,449 | - | - | 468,449 |
| Cooperative extension: | | | | | |
| Personal services | 126,169 | 148,915 | - | - | 148,915 |
| Operating | 394,065 | 46,230 | - | 25,054 | 71,284 |
| Aging: | | | | | |
| Personal services | 239,327 | 272,131 | 272,131 | - | - |
| Operating | 257,999 | 260,861 | 255,646 | 12,591 | 17,806 |
| EMS: | | | | | |
| Personal services | 90,631 | 87,782 | - | - | 87,782 |
| Operating | 3,493,434 | 3,006,223 | - | 237,529 | 3,243,752 |
| Sheriff: | | | | | |
| Personal services | 2,061,391 | 209,729 | - | - | 209,729 |
| Operating | 539,451 | 444,042 | - | 42,467 | 486,509 |
| Planning: | | | | | |
| Personal services | 306,777 | 165,297 | - | - | 165,297 |
| Operating | 292,199 | 278,655 | - | - | 278,655 |
| Library: | | | | | |
| Operating | 15,113 | 15,099 | - | - | 15,099 |
| Total expenditures | 10,998,604 | 7,057,863 | 527,777 | 324,163 | 6,854,249 |
| Excess (deficiency) of revenues over (under) expenditures | (1,531,759) | (762,251) | - | 289,766 | (472,485) |
| Other financing sources | | | | | |
| Transfers in | 1,531,759 | 776,155 | - | 272,063 | 1,048,218 |
| Excess of revenues and other financing sources over expenditures | \$ - | \$ 13,904 | \$ - | 561,829 | \$ 575,733 |
| Fund balance, beginning of year | | | | 13,904 | |
| Fund balance, end of year | | | | \$ 575,733 | |

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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | | 2008 |
|--|------------------|---------------------|---------------------------------|---------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| State wireless enhanced 911 | \$ - | \$ - | \$ - | \$ 140,242 |
| Investment earnings | - | 16,422 | 16,422 | 43,286 |
| Subscriber fees | 718,224 | 643,376 | (74,848) | 587,468 |
| Total revenues | 718,224 | 659,798 | (58,426) | 770,996 |
| Expenditures | | | | |
| Personal services | 202,161 | 182,234 | 19,927 | 120,582 |
| Operations | 531,773 | 477,022 | 54,751 | 351,241 |
| Capital outlay | 157,508 | 91,418 | 66,090 | 113,077 |
| Total expenditures | 891,442 | 750,674 | 140,768 | 584,900 |
| Excess (deficiency) of revenues over (under) expenditures | (173,218) | (90,876) | 82,342 | 186,096 |
| Other financing sources (uses) | | | | |
| Transfers out | (60,958) | - | 60,958 | - |
| Appropriated fund balance | 234,176 | - | (234,176) | - |
| Total other financing sources (uses) | 173,218 | - | (173,218) | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | (90,876) | \$ (90,876) | 186,096 |
| Fund balance, beginning of year | | 1,430,433 | | 1,244,337 |
| Fund balance, end of year | | <u>\$ 1,339,557</u> | | <u>\$ 1,430,433</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, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|--|------------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Occupancy tax | \$ 900,000 | \$ 935,220 | \$ 35,220 | \$ 724,486 |
| Investment earnings | 11,000 | 4,981 | (6,019) | 13,228 |
| Other | 85,943 | 83,826 | (2,117) | 59,370 |
| Total revenues | 996,943 | 1,024,027 | 27,084 | 797,084 |
| Expenditures | | | | |
| Community and environment: | | | | |
| Operations | 734,988 | 700,759 | 34,229 | 537,826 |
| Personal services | 363,082 | 363,808 | (726) | 336,860 |
| Capital outlay | 38,800 | 2,732 | 36,068 | 9,445 |
| Total expenditures | 1,136,870 | 1,067,299 | 69,571 | 884,131 |
| Excess (deficiency) of revenues over (under) expenditures | (139,927) | (43,272) | 96,655 | (87,047) |
| Other financing sources | | | | |
| Appropriated fund balance | 139,927 | - | (139,927) | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | (43,272) | \$ (43,272) | (87,047) |
| Fund balance, beginning of year | | 437,446 | | 524,493 |
| Fund balance, end of year | | \$ 394,174 | | \$ 437,446 |

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, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|--|------------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Property taxes, current | \$ 2,977,538 | \$ 3,010,722 | \$ 33,184 | \$ 2,751,587 |
| Property taxes, delinquent | 27,618 | 39,856 | 12,238 | 37,950 |
| Investment earnings | 5,179 | 3,182 | (1,997) | 7,865 |
| Total revenues | 3,010,335 | 3,053,760 | 43,425 | 2,797,402 |
| Expenditures | | | | |
| Public safety: | | | | |
| Remittances to fire districts | 3,102,444 | 3,098,187 | 4,257 | 2,866,572 |
| Excess (deficiency) of revenues over (under) expenditures | (92,109) | (44,427) | 47,682 | (69,170) |
| Other financing sources | | | | |
| Appropriated fund balance | 92,109 | - | (92,109) | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | (44,427) | \$ (44,427) | (69,170) |
| Fund balance, beginning of year | | 282,307 | | 351,477 |
| Fund balance, end of year | | <u>\$ 237,880</u> | | <u>\$ 282,307</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, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|---------------------------------|-------------|-----------------|---------------------------------|-----------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Investment earnings | <u>\$ -</u> | \$ 118 | <u>\$ 118</u> | \$ 283 |
| Fund balance, beginning of year | | <u>8,998</u> | | <u>8,715</u> |
| Fund balance, end of year | | <u>\$ 9,116</u> | | <u>\$ 8,998</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, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|---------------------------------|-------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Investment earnings | <u>\$ -</u> | \$ 3,891 | <u>\$ 3,891</u> | \$ 5,651 |
| Fund balance, beginning of year | | <u>131,972</u> | | <u>126,321</u> |
| Fund balance, end of year | | <u>\$ 135,863</u> | | <u>\$ 131,972</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, 2009

| | Budget to Date | Actual | | Total to Date |
|--|-----------------|---------------------------|------------------|------------------|
| | | Reported in Prior Year | Current Year | |
| Revenues | | | | |
| Investment earnings | \$ - | \$ 16,029 | \$ 905 | \$ 16,934 |
| Charges for services | 331,710 | 269,481 | 65,701 | 335,182 |
| Total revenues | 331,710 | 285,510 | 66,606 | 352,116 |
| Expenditures | | | | |
| Adoption enhancement | 408,655 | 281,970 | 76,149 | 358,119 |
| Excess (deficiency) of revenues over (under) expenditures | (76,945) | 3,540 | (9,543) | (6,003) |
| Other financing sources | | | | |
| Transfer from other funds | 76,945 | 76,945 | - | 76,945 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | \$ 80,485 | (9,543) | \$ 70,942 |
| Fund balance, beginning of year | | | 80,485 | |
| Fund balance, end of year | | | <u>\$ 70,942</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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | Positive (Negative) Variance | 2008 |
|---------------------------------|-------------|---------------------|---------------------------------|---------------------|
| | Budget | Actual | | Actual |
| Revenues | | | | |
| Investment earnings | \$ - | \$ 16,373 | \$ 16,373 | \$ 38,406 |
| Subdivision payments | - | 17,912 | 17,912 | 27,326 |
| Total revenues | <u>\$ -</u> | <u>34,285</u> | <u>\$ 34,285</u> | 65,732 |
| Fund balance, beginning of year | | <u>1,235,921</u> | | <u>1,170,189</u> |
| Fund balance, end of year | | <u>\$ 1,270,206</u> | | <u>\$ 1,235,921</u> |

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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.

Major Enterprise Funds

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.

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

Nonmajor Enterprise Fund

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

Orange County, North Carolina

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, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | | 2008 |
|---|--------------------|---------------------|---------------------------------|---------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| Landfill fees | \$ 3,968,950 | \$ 3,717,501 | \$ (251,449) | \$ 3,965,000 |
| Recycling | 4,061,956 | 4,025,529 | (36,427) | 4,245,618 |
| Mulch sales | 84,000 | 146,755 | 62,755 | 130,899 |
| Grants, State | 412,622 | 401,180 | (11,442) | 198,046 |
| Other | - | 7,374 | 7,374 | 4,196 |
| Investment earnings | 300,000 | 134,959 | (165,041) | 271,591 |
| Gain on disposal of fixed assets | 29,000 | 5,338 | (23,662) | - |
| Total revenues | 8,856,528 | 8,438,636 | (417,892) | 8,815,350 |
| Expenditures | | | | |
| Administration | 1,842,238 | 1,304,776 | 537,462 | 1,117,314 |
| Landfill | 3,807,569 | 2,036,323 | 1,771,246 | 1,885,902 |
| Recycling | 4,255,324 | 2,521,657 | 1,733,667 | 3,499,487 |
| Contract services | 1,171,699 | 1,028,357 | 143,342 | 492,908 |
| Total expenditures | 11,076,830 | 6,891,113 | 4,185,717 | 6,995,611 |
| Excess (deficiency) of revenues over (under) expenditures | (2,220,302) | 1,547,523 | 3,767,825 | 1,819,739 |
| Other financing sources (uses) | | | | |
| Debt service, proceeds | 846,021 | 846,021 | - | - |
| Debt service, principal | (913,041) | (660,709) | 252,332 | (821,679) |
| Debt service, interest | - | (141,848) | (141,848) | (108,580) |
| Transfers in | - | - | - | 1,243,775 |
| Transfers out | (282,370) | (282,370) | - | - |
| Capital contributions | - | 164,668 | 164,668 | - |
| Appropriated fund balance | 2,569,692 | - | (2,569,692) | - |
| Total other financing sources | 2,220,302 | (74,238) | (2,294,540) | 313,516 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ 1,473,285 | \$ 1,473,285 | \$ 2,133,255 |

Reconciliation of modified accrual basis to full accrual basis

Efland Sewer Operating Fund, excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses

\$ 1,473,285 \$ 2,133,255

Reconciling items:

Depreciation (861,608) (779,874)

Post closing cost (1,901,436) (61,454)

OPEB (240,961) (397,230)

Debt service, principal 660,709 821,679

Debt service, proceeds (846,021) -

Change in net assets \$ (1,716,032) \$ 1,716,376

Orange County, North Carolina

Enterprise Funds - SportsPlex Fund

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

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | | 2008 |
|--|----------------|-------------------|---------------------------------|-------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| Service fees | \$ 2,531,500 | \$ 2,279,441 | \$ (252,059) | \$ 2,210,057 |
| Expenditures | | | | |
| Operations | 3,008,700 | 2,554,011 | 454,689 | 2,357,523 |
| Deficiency of revenues under expenditures | (477,200) | (274,570) | 202,630 | (147,466) |
| Other financing sources | | | | |
| Debt service, principal | (377,000) | (386,252) | (9,252) | (300,560) |
| Debt service, interest | (302,800) | (329,188) | (26,388) | (252,793) |
| Capital contributions | - | 339,707 | 339,707 | - |
| Transfers in | 747,000 | 747,000 | - | 700,000 |
| Appropriated fund balance | 410,000 | - | (410,000) | - |
| Total other financing sources | 477,200 | 371,267 | (105,933) | 146,647 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | \$ 96,697 | \$ 96,697 | \$ (819) |
| Reconciliation of modified accrual basis to full accrual basis | | | | |
| SportsPlex Operating Fund, excess (deficiency) of revenues and other financing sources over (under) expenditures | | \$ 96,697 | | \$ (819) |
| Reconciling items: | | | | |
| Depreciation expense | | (262,394) | | (190,166) |
| Debt service | | 386,252 | | 300,560 |
| Change in net assets | | \$ 220,555 | | \$ 109,575 |

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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, 2009
 With Comparative Totals for the Year Ended June 30, 2008

| | 2009 | | 2008 | |
|--|------------------|--------------------|---------------------------------|---------------------|
| | Budget | Actual | Positive (Negative) Variance | Actual |
| Revenues | | | | |
| Service fees | \$ 62,000 | \$ 64,691 | \$ 2,691 | \$ 73,232 |
| Interest on investments | - | 1,285 | 1,285 | 2,193 |
| Total revenues | 62,000 | 65,976 | 3,976 | 75,425 |
| Expenditures | | | | |
| Operations | 178,396 | 177,126 | 1,270 | 156,465 |
| Deficiency of revenues under expenditures | (116,396) | (111,150) | 5,246 | (81,040) |
| Other financing sources | | | | |
| Transfers in | 106,750 | 106,750 | - | 122,250 |
| Appropriated fund balance | 9,646 | - | (9,646) | - |
| Total other financing sources | 116,396 | 106,750 | (9,646) | 122,250 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | \$ - | \$ (4,400) | \$ (4,400) | \$ 41,210 |
| Reconciliation of modified accrual basis to full accrual basis | | | | |
| Efland Sewer Operating Fund, excess (deficiency) of revenues and other financing sources over (under) expenditures | | \$ (4,400) | | \$ 41,210 |
| Efland Sewer Construction Fund, excess of revenues and other financing sources over expenditures | | - | | 2,225,060 |
| Reconciling items: | | | | |
| Depreciation expense | | (92,696) | | (37,070) |
| | | \$ (97,096) | | \$ 2,229,200 |

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, 2009

| | Authorizations | | |
|--|-----------------------|--|------------------------|
| | Total July 1, 2008 | Current Year Increase (Decrease) | Total June 30, 2009 |
| 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 |
| Contributions | - | - | - |
| 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> |
| (282,208) | - | (282,208) |
| 200,000 | - | 200,000 |
| 2,225,060 | - | 2,225,060 |
| 211,000 | - | 211,000 |
| (6,400) | - | (6,400) |
| <u>2,629,660</u> | <u>-</u> | <u>2,629,660</u> |
| <u>\$ 2,347,452</u> | <u>\$ -</u> | <u>\$ 2,347,452</u> |

Orange County, North Carolina

Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2009

| | School District | Jail Inmate Trust Fund |
|--|--------------------|---------------------------|
| Assets | | |
| Cash and investments | \$ 73,314 | \$ 77,231 |
| Accounts receivable, property taxes | 192,724 | - |
| Accounts receivable, other | - | - |
| Total assets | \$ 266,038 | \$ 77,231 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 266,038 | \$ - |
| Unearned revenues | - | - |
| Due to other governments | - | - |
| Due to cooperative extension | - | - |
| Due to library | - | - |
| Due to jail inmates | - | 77,231 |
| Total liabilities | \$ 266,038 | \$ 77,231 |

| Cooperative Extension 4-H | Hyconeechee Regional Library | American Stone No Fault Well Repair | Communication Tower Trust Fund | Motor Vehicle Tax | Totals |
|------------------------------|---------------------------------|---|-----------------------------------|----------------------|-------------------|
| \$ 84,646 | \$ 32,876 | \$ 106,872 | \$ 2,542 | \$ 6,064 | \$ 383,545 |
| - | - | - | - | - | 192,724 |
| - | 4,722 | - | - | - | 4,722 |
| <u>\$ 84,646</u> | <u>\$ 37,598</u> | <u>\$ 106,872</u> | <u>\$ 2,542</u> | <u>\$ 6,064</u> | <u>\$ 580,991</u> |
| \$ 3,056 | \$ 601 | \$ 106,872 | \$ 2,542 | \$ 6,064 | \$ 385,173 |
| - | 15,600 | - | - | - | 15,600 |
| - | 17,206 | - | - | - | 17,206 |
| 81,590 | - | - | - | - | 81,590 |
| - | 4,191 | - | - | - | 4,191 |
| - | - | - | - | - | 77,231 |
| <u>\$ 84,646</u> | <u>\$ 37,598</u> | <u>\$ 106,872</u> | <u>\$ 2,542</u> | <u>\$ 6,064</u> | <u>\$ 580,991</u> |

Orange County, North Carolina

Agency Funds
 Combining Statement of Changes in Fiduciary Assets and Liabilities
 Year Ended June 30, 2009

| | June 30, 2008 | Additions | Deductions | June 30, 2009 |
|--|-------------------|----------------------|----------------------|-------------------|
| School District Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 65,390 | \$ 18,899,063 | \$ 18,891,139 | \$ 73,314 |
| Accounts receivable, property taxes | 160,281 | 19,135,406 | 19,102,963 | 192,724 |
| Total assets | \$ 225,671 | \$ 38,034,469 | \$ 37,994,102 | \$ 266,038 |
| Liabilities | | | | |
| Accounts payable | \$ 225,671 | \$ 38,034,469 | \$ 37,994,102 | \$ 266,038 |
| Total liabilities | \$ 225,671 | \$ 38,034,469 | \$ 37,994,102 | \$ 266,038 |
| Jail Inmate Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 66,632 | \$ 333,538 | \$ 322,939 | \$ 77,231 |
| Total assets | \$ 66,632 | \$ 333,538 | \$ 322,939 | \$ 77,231 |
| Liabilities | | | | |
| Accounts payable | \$ 66,632 | \$ 333,538 | \$ 322,939 | \$ 77,231 |
| Total liabilities | \$ 66,632 | \$ 333,538 | \$ 322,939 | \$ 77,231 |
| Cooperative Extension 4-H Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 84,317 | \$ 83,757 | \$ 83,428 | \$ 84,646 |
| Total assets | \$ 84,317 | \$ 83,757 | \$ 83,428 | \$ 84,646 |
| Liabilities | | | | |
| Accounts payable | \$ 2,254 | \$ 3,056 | \$ 2,254 | \$ 3,056 |
| Due to cooperative extension | 82,063 | 80,701 | 81,174 | 81,590 |
| Total liabilities | \$ 84,317 | \$ 83,757 | \$ 83,428 | \$ 84,646 |
| Hyconeechee Regional Library Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ - | \$ 426,463 | \$ 393,587 | \$ 32,876 |
| Accounts receivable - other | 9,535 | 4,722 | 9,535 | 4,722 |
| Total assets | \$ 9,535 | \$ 431,185 | \$ 403,122 | \$ 37,598 |
| Liabilities | | | | |
| Accounts payable | \$ 276 | \$ 601 | \$ 276 | \$ 601 |
| Unearned revenues | - | 15,600 | - | 15,600 |
| Due to other governments | 9,259 | 17,206 | 9,259 | 17,206 |
| Due to library | - | 397,778 | 393,587 | 4,191 |
| Total liabilities | \$ 9,535 | \$ 431,185 | \$ 403,122 | \$ 37,598 |

(Continued)

Orange County, North Carolina

Agency Funds

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

Year Ended June 30, 2009

| | June 30, 2008 | Additions | Deductions | June 30, 2009 |
|---------------------------------------|-------------------|----------------------|----------------------|-------------------|
| No Fault Well Repair | | | | |
| Assets | | | | |
| Cash and investments | \$ 131,135 | \$ 16,585 | \$ 40,848 | \$ 106,872 |
| Total assets | \$ 131,135 | \$ 16,585 | \$ 40,848 | \$ 106,872 |
| Liabilities | | | | |
| Accounts payable | \$ 131,135 | \$ 16,585 | \$ 40,848 | \$ 106,872 |
| Total liabilities | \$ 131,135 | \$ 16,585 | \$ 40,848 | \$ 106,872 |
| Communication Tower Trust Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 22,468 | \$ 4,186 | \$ 24,112 | \$ 2,542 |
| Total assets | \$ 22,468 | \$ 4,186 | \$ 24,112 | \$ 2,542 |
| Liabilities | | | | |
| Accounts payable | \$ 22,468 | \$ 4,186 | \$ 24,112 | \$ 2,542 |
| Total liabilities | \$ 22,468 | \$ 4,186 | \$ 24,112 | \$ 2,542 |
| Motor Vehicle Tax | | | | |
| Assets | | | | |
| Cash and investments | \$ 6,436 | \$ 71,690 | \$ 72,062 | \$ 6,064 |
| Total assets | \$ 6,436 | \$ 71,690 | \$ 72,062 | \$ 6,064 |
| Liabilities | | | | |
| Accounts payable | \$ 6,436 | \$ 71,690 | \$ 72,062 | \$ 6,064 |
| Total liabilities | \$ 6,436 | \$ 71,690 | \$ 72,062 | \$ 6,064 |
| Total - All Agency Funds | | | | |
| Assets | | | | |
| Cash and investments | \$ 376,378 | \$ 19,835,282 | \$ 19,828,115 | \$ 383,545 |
| Accounts receivable, property taxes | 160,281 | 19,135,406 | 19,102,963 | 192,724 |
| Accounts receivable, other | 9,535 | 4,722 | 9,535 | 4,722 |
| Total assets | \$ 546,194 | \$ 38,975,410 | \$ 38,940,613 | \$ 580,991 |
| Liabilities | | | | |
| Accounts payable | \$ 388,240 | \$ 38,130,587 | \$ 38,133,654 | \$ 385,173 |
| Unearned revenues | - | 15,600 | - | 15,600 |
| Due to other governments | 9,259 | 17,206 | 9,259 | 17,206 |
| Due to library | - | 397,778 | 393,587 | 4,191 |
| Due to cooperative extension | 82,063 | 80,701 | 81,174 | 81,590 |
| Due to jail inmates | 66,632 | 333,538 | 322,939 | 77,231 |
| Total liabilities | \$ 546,194 | \$ 38,975,410 | \$ 38,940,613 | \$ 580,991 |

Orange County, North Carolina

Schedule of Ad Valorem Taxes Receivable
June 30, 2009

| Fiscal Year | Uncollected Balance June 30, 2008 | Additions | Collections and Credits | Discoveries Abatements Adjustments | Uncollected Balance June 30, 2009 |
|--------------------------------------|---|-----------------------|----------------------------|--|---|
| 2009 | \$ - | \$ 127,813,510 | \$ (126,215,432) | \$ - | \$ 1,598,078 |
| 2008 | 1,559,475 | - | (1,083,368) | 21,876 | 497,983 |
| 2007 | 263,913 | - | (117,494) | 14,625 | 161,044 |
| 2006 and prior | 1,470,384 | - | (81,985) | 15,032 | 1,403,431 |
| | <u>\$ 3,293,772</u> | <u>\$ 127,813,510</u> | <u>\$ (127,498,279)</u> | <u>\$ 51,533</u> | <u>3,660,536</u> |
| Less allowance for doubtful accounts | | | | | (1,548,009) |
| Ad valorem taxes, net | | | | | <u><u>\$ 2,112,527</u></u> |
| Reconciliation with revenues | | | | | |
| Taxes, ad valorem | | | | | \$ 127,317,561 |
| Reconciling items: | | | | | |
| Releases and adjustments | | | | | 180,718 |
| | | | | | <u><u>\$ 127,498,279</u></u> |

Orange County, North Carolina

Schedule of Current Tax Levy
Year Ended June 30, 2009

| 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 | \$ 12,524,475,301 | 0.00998 | \$ 124,967,823 | \$ 119,442,676 | \$ 5,525,147 |
| Motor vehicles taxed at prior year rate | 295,762,257 | 0.00950 | 2,810,115 | - | 2,810,115 |
| Late list penalties | - | | 28,009 | 28,009 | - |
| Lien advertisement | - | | 7,563 | 8,363 | - |
| | <u>\$ 12,820,237,558</u> | | <u>127,813,510</u> | <u>119,479,048</u> | <u>8,335,262</u> |
| Uncollected taxes at June 30, 2009 | | | 1,598,078 | 967,763 | 630,315 |
| Current year taxes collected | | | <u>\$ 126,215,432</u> | <u>\$ 118,511,285</u> | <u>\$ 7,704,947</u> |
| Current year collection percentages | | | <u>98.75%</u> | <u>99.19%</u> | <u>92.44%</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 Seven Fiscal Years
(Accrual Basis of Accounting)**

| | 2009 | 2008 | 2007 (As Restated) | 2006 (As Restated) | 2005 (As Restated) | 2004 (As Restated) | 2003 (As Restated) |
|---|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 15,390,929 | \$ 10,104,943 | \$ 25,802,378 | \$ 8,323,542 | \$ (2,329,884) | \$ 6,033,496 | \$ 3,363,763 |
| Restricted: | | | | | | | |
| Capital assets | - | - | - | 22,521,235 | - | 500,511 | 20,122,226 |
| Other purposes | - | - | - | - | - | - | 1,392,207 |
| Unrestricted | (116,043,276) | (118,028,841) | (107,189,190) | (112,977,847) | (71,473,372) | (79,627,592) | (90,754,566) |
| Total governmental activities | \$ (100,652,347) | \$ (107,923,898) | \$ (81,386,812) | \$ (82,133,070) | \$ (73,803,256) | \$ (73,093,585) | \$ (65,876,370) |
| Business-type activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 7,932,387 | \$ 6,705,214 | \$ 3,363,225 | \$ 5,334,757 | \$ 5,331,054 | \$ 6,034,422 | \$ 6,728,112 |
| Unrestricted | 1,459,512 | 4,279,258 | 3,566,096 | 1,595,064 | 812,996 | (582,170) | (187,000) |
| Total business-type activities | \$ 9,391,899 | \$ 10,984,472 | \$ 6,929,321 | \$ 6,929,821 | \$ 6,144,050 | \$ 5,452,252 | \$ 6,541,112 |
| Primary government | | | | | | | |
| Invested in capital assets, net of related debt | \$ 23,323,316 | \$ 16,810,157 | \$ 29,165,603 | \$ 13,658,299 | \$ 3,001,170 | \$ 12,067,918 | \$ 10,091,875 |
| Restricted: | | | | | | | |
| Capital assets | - | - | - | 22,521,235 | - | 500,511 | 20,122,226 |
| Other purposes | - | - | - | - | - | - | 1,392,207 |
| Unrestricted | (114,583,764) | (113,749,583) | (103,623,094) | (111,382,783) | (70,660,376) | (80,209,762) | (90,941,566) |
| Total primary government | \$ (91,260,448) | \$ (96,939,426) | \$ (74,457,491) | \$ (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 \$154 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 while 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 Seven Fiscal Years
(Accrual Basis of Accounting)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| Governing and management | \$ 10,816,693 | \$ 14,898,928 | \$ 10,364,753 | \$ 9,013,179 | \$ 11,633,062 | \$ 11,581,882 | \$ 7,984,601 |
| General services | 18,730,842 | 12,422,454 | 11,404,059 | 10,371,173 | 10,095,265 | 8,168,947 | 9,447,392 |
| Community and environment | 10,932,997 | 20,065,425 | 9,922,055 | 9,078,254 | 8,939,210 | 9,893,926 | 8,022,768 |
| Human services | 37,604,903 | 38,842,566 | 34,318,247 | 33,499,003 | 32,558,212 | 29,540,568 | 28,075,210 |
| Education | 74,276,350 | 86,812,048 | 85,157,632 | 82,853,757 | 58,910,220 | 61,463,034 | 62,967,519 |
| Public safety | 20,166,400 | 23,399,912 | 20,546,205 | 18,278,983 | 16,685,076 | 15,781,817 | 14,462,403 |
| Culture and recreation | 3,751,394 | 3,191,198 | 3,245,515 | 2,508,464 | 2,430,733 | 1,918,031 | 1,538,918 |
| Interest on long-term debt | 9,539,848 | 10,501,269 | 8,290,604 | 7,526,775 | 6,508,674 | 6,766,691 | 6,480,482 |
| Total governmental activities | 185,819,427 | 210,133,800 | 183,249,070 | 173,129,588 | 147,760,452 | 145,114,896 | 138,979,293 |
| Business-type activities: | | | | | | | |
| Landfill | 10,036,966 | 8,342,749 | 6,560,515 | 6,691,328 | 5,766,797 | 5,456,187 | 4,722,846 |
| Sewer | 269,822 | 193,535 | 209,020 | 181,329 | 177,477 | 237,150 | 921,655 |
| SportsPlex | 3,145,593 | 2,800,482 | 2,721,368 | 1,322,837 | - | - | - |
| Total business-type activities | 13,452,381 | 11,336,766 | 9,490,903 | 8,195,494 | 5,944,274 | 5,693,337 | 5,644,501 |
| Total expenses | 199,271,808 | 221,470,566 | 192,739,973 | 181,325,082 | 153,704,726 | 150,808,233 | 144,623,794 |
| Revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | 11,707,014 | 12,233,135 | 13,340,016 | 11,926,850 | 10,861,457 | 10,747,239 | 10,409,508 |
| Operating grants and contributions | 23,255,128 | 23,447,199 | 23,514,334 | 21,785,974 | 20,838,946 | 19,304,008 | 19,075,713 |
| Capital grants and contributions | 5,900,817 | 1,648,654 | 3,857,083 | 26,673 | 953,634 | 60,068 | - |
| General revenues: | | | | | | | |
| Property taxes | 130,773,568 | 122,093,823 | 114,240,169 | 103,277,416 | 91,188,353 | 84,879,390 | 80,396,482 |
| Other taxes | 19,736,772 | 24,058,200 | 23,319,221 | 21,795,500 | 20,448,762 | 19,138,144 | 16,555,551 |
| Other | 2,222,054 | 2,340,763 | 3,724,713 | 4,903,090 | 2,966,288 | 2,446,239 | 2,963,720 |
| Total governmental activities | 193,595,353 | 185,821,774 | 181,995,536 | 163,715,503 | 147,257,440 | 136,575,088 | 129,400,974 |

(Continued)

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

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|--|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Business-type activities: | | | | | | | |
| Charges for services | \$ 10,233,917 | \$ 10,624,806 | \$ 9,833,042 | \$ 8,094,895 | \$ 6,847,668 | \$ 4,428,918 | \$ 4,633,446 |
| Operating grants and contributions | 401,180 | 198,046 | 215,234 | 195,214 | 215,868 | 191,750 | 299,083 |
| Other | 720,336 | 2,344,005 | 1,237,757 | 672,117 | 96,679 | 30,379 | 39,708 |
| Total business-type activities | 11,355,433 | 13,166,857 | 11,286,033 | 8,962,226 | 7,160,215 | 4,651,047 | 4,972,237 |
| Total revenues | 204,950,786 | 198,988,631 | 193,281,569 | 172,677,729 | 154,417,655 | 141,226,135 | 134,373,211 |
| Increase (decrease) in net assets | 5,678,978 | (22,481,935) | 541,596 | (8,647,353) | 712,929 | (9,582,098) | (10,250,583) |
| Net assets, July 1, previously reported | (96,939,426) | (74,457,491) | (75,203,249) | (67,659,206) | (67,641,333) | (59,335,258) | (48,641,062) |
| Prior period adjustment | - | - | 204,162 | 1,103,310 | (730,802) | 1,276,023 | (443,613) |
| Net assets, July 1, restated | (96,939,426) | (74,457,491) | (74,999,087) | (66,555,896) | (68,372,135) | (58,059,235) | (49,084,675) |
| Net assets, June 30 | \$ (91,260,448) | \$ (96,939,426) | \$ (74,457,491) | \$ (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.

Orange County, North Carolina

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

| | 2009 | 2008 | 2007 | 2006 |
|---|----------------------|----------------------|-----------------------|----------------------|
| General fund | | | | |
| Reserved for: | | | | |
| Inventories | \$ 181,031 | \$ 113,966 | \$ 113,966 | \$ 114,036 |
| Encumbrances | 1,176,508 | 963,542 | 963,542 | 847,979 |
| State statute | 7,837,484 | 10,349,628 | 10,349,628 | 7,956,752 |
| Total reserved | 9,195,023 | 11,427,136 | 11,427,136 | 8,918,767 |
| Unreserved: | | | | |
| Designated: | | | | |
| Capital and miscellaneous | - | - | - | - |
| Subsequent year's expenditures | 1,988,442 | 2,000,000 | - | - |
| Undesignated | 18,977,470 | 23,803,324 | 21,384,544 | 15,452,551 |
| Total unreserved | 20,965,912 | 25,803,324 | 21,384,544 | 15,452,551 |
| Total general fund | 30,160,935 | 37,230,460 | 32,811,680 | 24,371,318 |
| All other governmental funds | | | | |
| Reserved for: | | | | |
| Encumbrances | 3,061,726 | 11,896,153 | 1,888,242 | 7,635,847 |
| State statute | 866,041 | 688,649 | 1,596,372 | 495,693 |
| Total reserved | 3,927,767 | 12,584,802 | 3,484,614 | 8,131,540 |
| Unreserved: | | | | |
| Designated: | | | | |
| Subsequent year's expenditures reported in: | | | | |
| County capital improvements | 30,024,830 | 6,170,186 | 44,841,610 | - |
| School capital improvements | 2,409,840 | 521,416 | 22,200,997 | - |
| Nonmajor special revenue | 71,289 | 112,741 | 400,258 | - |
| Subsequent year's expenditures* | - | - | - | 33,120,947 |
| Undesignated* | - | - | - | 2,300,707 |
| Reported in nonmajor special revenue | 5,996,514 | 6,704,065 | 5,391,683 | 3,936,389 |
| Total unreserved | 38,502,473 | 13,508,408 | 72,834,548 | 39,358,043 |
| Total all other governmental funds | 42,430,240 | 26,093,210 | 76,319,162 | 47,489,583 |
| Total all funds | \$ 72,591,175 | \$ 63,323,670 | \$ 109,130,842 | \$ 71,860,901 |

*Information is not available to break out unreserved fund balance designated for subsequent year's expenditures or undesignated between funds prior to 2007.

Table 3

| 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 82,251 | \$ 83,803 | \$ 118,188 | \$ 81,805 | \$ 76,959 | \$ 78,977 |
| 624,561 | 628,551 | 646,232 | 518,925 | 619,089 | 571,812 |
| 6,905,033 | 7,649,826 | 6,775,510 | 6,524,159 | 6,188,956 | 8,430,055 |
| 7,611,845 | 8,362,180 | 7,539,930 | 7,124,889 | 6,885,004 | 9,080,844 |
| - | - | - | - | - | 299,687 |
| - | 1,714,451 | 2,099,108 | 2,666,008 | 3,591,596 | 3,884,820 |
| 13,548,885 | 10,879,392 | 12,329,134 | 11,641,260 | 13,528,396 | 13,470,026 |
| 13,548,885 | 12,593,843 | 14,428,242 | 14,307,268 | 17,119,992 | 17,654,533 |
| 21,160,730 | 20,956,023 | 21,968,172 | 21,432,157 | 24,004,996 | 26,735,377 |
| 2,733,971 | 1,652,432 | 1,090,126 | 402,278 | 868,570 | 790,744 |
| 1,366,199 | 825,530 | 903,919 | 1,220,742 | 251,463 | 238,745 |
| 4,100,170 | 2,477,962 | 1,994,045 | 1,623,020 | 1,120,033 | 1,029,489 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 17,882,591 | 5,468,041 | 19,710,687 | 16,162,771 | 28,976,597 | 38,482,637 |
| 2,794,179 | 3,718,401 | 7,059,332 | 7,971,884 | - | - |
| 2,277,472 | 2,583,290 | 1,880,657 | 2,903,358 | 2,942,492 | 2,961,507 |
| 22,954,242 | 11,769,732 | 28,650,676 | 27,038,013 | 31,919,089 | 41,444,144 |
| 27,054,412 | 14,247,694 | 30,644,721 | 28,661,033 | 33,039,122 | 42,473,633 |
| \$ 48,215,142 | \$ 35,203,717 | \$ 52,612,893 | \$ 50,093,190 | \$ 57,044,118 | \$ 69,209,010 |

Orange County, North Carolina

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

| | 2009 | 2008 | 2007 | 2006 |
|---|----------------------|------------------------|----------------------|----------------------|
| Revenues | | | | |
| Property taxes | \$ 131,799,145 | \$ 122,740,765 | \$ 114,817,041 | \$ 103,650,756 |
| Sales tax | 18,814,450 | 23,318,982 | 22,636,962 | 21,176,362 |
| Intergovernmental revenues | 29,155,945 | 25,095,853 | 27,371,417 | 22,346,834 |
| Charges for services | 9,639,871 | 9,930,526 | 10,560,926 | 9,754,878 |
| Investment earnings | 793,690 | 3,490,123 | 3,523,274 | 3,683,113 |
| Licenses and permits | 363,594 | 354,569 | 332,545 | 268,571 |
| Impact fees | 1,238,494 | 1,504,522 | 2,020,400 | 1,864,897 |
| Miscellaneous | 1,839,989 | 913,489 | 994,820 | 1,253,232 |
| Total revenues | 193,645,178 | 187,348,829 | 182,257,385 | 163,998,643 |
| Expenditures | | | | |
| Current: | | | | |
| Governing and management | 9,451,313 | 8,809,336 | 7,765,185 | 7,060,610 |
| General services | 12,911,229 | 10,807,804 | 10,597,332 | 9,976,728 |
| Community and environment | 10,232,393 | 9,904,764 | 9,533,076 | 8,964,634 |
| Human services | 35,910,264 | 35,132,231 | 33,848,886 | 32,512,567 |
| Education | 64,722,715 | 60,385,461 | 56,993,744 | 52,271,554 |
| Public safety | 20,926,310 | 20,285,768 | 19,786,208 | 17,549,051 |
| Culture and recreation | 3,322,213 | 3,114,616 | 3,156,900 | 2,444,132 |
| Capital outlay | 38,607,718 | 58,704,637 | 38,967,226 | 36,887,563 |
| Debt service: | | | | |
| Principal | 17,038,179 | 15,258,741 | 14,588,007 | 13,236,904 |
| Interest | 9,170,485 | 9,462,709 | 8,114,118 | 6,758,565 |
| Issuance costs | - | - | - | 334,964 |
| Total expenditures | 222,292,819 | 231,866,067 | 203,350,682 | 187,997,272 |
| Deficiency of revenues under expenditures | (28,647,641) | (44,517,238) | (21,093,297) | (23,998,629) |
| Other financing sources (uses) | | | | |
| Bonds issuance | - | - | - | 29,185,000 |
| Refunding issuance | - | - | - | 29,365,000 |
| Refunding issue costs | - | - | - | (1,590,000) |
| Payments to escrow agent - refunding | - | - | - | (27,775,000) |
| Installment loans issuance | 38,700,000 | - | 59,057,000 | 17,685,000 |
| Capital leases issuance | 562,617 | - | - | 1,215,255 |
| Transfers in | 14,070,320 | 10,688,569 | 11,791,989 | 12,111,856 |
| Transfers out | (14,641,700) | (12,754,594) | (12,598,789) | (12,552,723) |
| Total other financing sources | 38,691,237 | (2,066,025) | 58,250,200 | 47,644,388 |
| Net change in fund balances | \$ 10,043,596 | \$ (46,583,263) | \$ 37,156,903 | \$ 23,645,759 |
| Debt service as a percentage of noncapital expenditures | 13.38% | 15.05% | 13.63% | 13.23% |

Table 4

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|----|--------------|-----------------|---------------|-----------------|-----------------|---------------|
| \$ | 91,786,364 | \$ 85,404,401 | \$ 80,884,567 | \$ 76,643,685 | \$ 71,687,783 | \$ 67,593,473 |
| | 19,786,266 | 18,589,763 | 15,985,224 | 14,753,323 | 14,452,882 | 14,029,366 |
| | 22,438,641 | 19,364,076 | 19,075,713 | 19,436,552 | 18,963,075 | 22,957,280 |
| | 8,232,327 | 6,697,791 | 6,632,968 | 5,719,317 | 5,178,189 | 4,842,139 |
| | 1,101,586 | 396,143 | 626,991 | 1,642,448 | 4,019,039 | 2,638,479 |
| | 256,850 | 1,360,384 | 1,181,198 | 1,222,652 | 974,996 | 921,226 |
| | 2,372,280 | 2,689,064 | 2,595,342 | 2,919,018 | 3,016,455 | 3,117,795 |
| | 1,314,884 | 2,048,802 | 2,335,503 | 1,548,606 | 1,610,563 | 1,005,732 |
| | 147,289,198 | 136,550,424 | 129,317,506 | 123,885,601 | 119,902,982 | 117,105,490 |
| | 6,315,396 | 5,081,203 | 4,600,241 | 4,468,943 | 3,838,932 | 3,620,329 |
| | 9,703,326 | 9,341,406 | 9,447,392 | 8,217,366 | 7,633,532 | 7,314,849 |
| | 9,040,677 | 8,769,698 | 7,999,562 | 7,862,114 | 7,168,150 | 6,690,798 |
| | 31,463,036 | 30,416,726 | 28,098,416 | 27,041,595 | 24,992,041 | 22,010,156 |
| | 48,752,268 | 46,461,682 | 44,150,357 | 43,008,464 | 40,493,653 | 36,580,779 |
| | 16,202,310 | 15,699,015 | 14,367,523 | 13,483,924 | 12,192,004 | 11,459,291 |
| | 2,329,396 | 1,918,031 | 1,538,918 | 1,419,207 | 1,348,475 | 1,299,185 |
| | 19,615,281 | 20,903,526 | 24,427,047 | 35,175,797 | 36,108,860 | 22,748,852 |
| | 11,066,814 | 10,276,402 | 9,767,002 | 8,795,743 | 7,231,228 | 5,944,011 |
| | 6,889,640 | 6,780,803 | 6,315,632 | 6,575,108 | 6,294,775 | 4,231,733 |
| | 22,393 | 2,000 | 126,583 | 230,351 | - | - |
| | 161,400,537 | 155,650,492 | 150,838,673 | 156,278,612 | 147,301,650 | 121,899,983 |
| | (14,111,339) | (19,100,068) | (21,521,167) | (32,393,011) | (27,398,668) | (4,794,493) |
| | 25,140,000 | - | 19,175,000 | 15,344,129 | - | 40,175,000 |
| | - | - | 22,815,000 | - | - | - |
| | - | - | 2,037,715 | - | - | - |
| | - | - | (24,726,132) | - | - | - |
| | 1,820,506 | 378,300 | 4,614,276 | 2,255,628 | 14,433,992 | - |
| | - | - | - | - | - | - |
| | 8,782,469 | 11,764,671 | 8,376,157 | 7,790,462 | 13,268,172 | 10,305,944 |
| | (8,622,211) | (11,718,101) | (8,261,148) | (7,171,242) | (12,804,933) | (9,820,054) |
| | 27,120,764 | 424,870 | 24,030,868 | 18,218,977 | 14,897,231 | 40,660,890 |
| \$ | 13,009,425 | \$ (18,675,198) | \$ 2,509,701 | \$ (14,174,034) | \$ (12,501,437) | \$ 35,866,397 |
| | 12.68% | 12.66% | 12.72% | 12.69% | 12.16% | 10.26% |

Orange County, North Carolina

Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

| Fiscal Year | Real Property | Personal Property | Public-Service Companies |
|-------------|-----------------------|----------------------|-----------------------------|
| 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 |
| 2008 | 11,183,241,007 | 1,219,216,812 | 218,549,070 |
| 2009 | 11,423,377,444 | 1,214,725,067 | 226,279,680 |

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 |
|-----------------------------|-------------------------|--------------------------|----------------------------------|---|
| \$ 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% |
| 39,786,610 | 12,581,220,279 | 0.950 | 14,977,643,189 | 84.00% |
| 44,144,633 | 12,820,237,558 | 0.998 | 15,577,445,392 | 82.30% |

Orange County, North Carolina

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Orange County | \$ 0.9980 | \$ 0.9500 | \$ 0.9030 | \$ 0.8430 | \$ 0.8800 |
| Municipality rates: | | | | | |
| Chapel Hill | 0.5810 | 0.5220 | 0.5220 | 0.5220 | 0.5750 |
| Carrboro | 0.6863 | 0.6537 | 0.6244 | 0.6244 | 0.7148 |
| Hillsborough | 0.6700 | 0.6350 | 0.6200 | 0.5660 | 0.6200 |
| Mebane | 0.4700 | 0.5000 | 0.5000 | 0.5000 | 0.5000 |
| Fire districts: | | | | | |
| Cedar Grove | 0.07300 | 0.07300 | 0.07300 | 0.0730 | 0.0730 |
| Chapel Hill | 0.04900 | 0.01900 | 0.01900 | 0.0190 | 0.0200 |
| Damascus | 0.06000 | 0.05000 | 0.04000 | 0.0260 | 0.0300 |
| Efland | 0.05225 | 0.04225 | 0.04225 | 0.0348 | 0.0465 |
| Eno | 0.05700 | 0.05700 | 0.05700 | 0.0570 | 0.0640 |
| Little River | 0.04600 | 0.04600 | 0.04600 | 0.0460 | 0.0520 |
| New Hope | 0.06750 | 0.06750 | 0.06750 | 0.0625 | 0.0650 |
| Orange Grove | 0.04200 | 0.03900 | 0.03900 | 0.0340 | 0.0390 |
| Orange Rural | 0.06300 | 0.05600 | 0.05600 | 0.0560 | 0.0510 |
| South Orange | 0.09500 | 0.04000 | 0.04000 | 0.0920 | 0.0920 |
| Southern Triangle | 0.06000 | 0.05000 | 0.04000 | 0.0260 | 0.0300 |
| White Cross | 0.06000 | 0.05000 | 0.04200 | 0.0420 | 0.0480 |
| Chapel Hill-Carrboro School District | 0.23000 | 0.20350 | 0.18850 | 0.1834 | 0.2000 |

Source: Orange County Tax Assessor Office

Year Taxes are Payable

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|----|--------|-----------|-----------|-----------|-----------|
| \$ | 0.8450 | \$ 0.8300 | \$ 0.8050 | \$ 0.9290 | \$ 0.9190 |
| | 0.5530 | 0.5530 | 0.5040 | 0.5780 | 0.5630 |
| | 0.6852 | 0.6852 | 0.6568 | 0.7120 | 0.6750 |
| | 0.6200 | 0.6200 | 0.6000 | 0.6200 | 0.5700 |
| | 0.4700 | 0.4700 | 0.4700 | 0.4200 | 0.4200 |
| | 0.0730 | 0.0730 | 0.0730 | 0.0730 | 0.0630 |
| | 0.0200 | 0.0200 | 0.0200 | 0.0250 | 0.0250 |
| | 0.0300 | 0.0260 | 0.0260 | 0.0300 | 0.0300 |
| | 0.0375 | 0.0285 | 0.0285 | 0.0300 | 0.0300 |
| | 0.0640 | 0.0440 | 0.0440 | 0.0510 | 0.0510 |
| | 0.0450 | 0.0450 | 0.0450 | 0.0465 | 0.0465 |
| | 0.0650 | 0.0500 | 0.0500 | 0.0550 | 0.0515 |
| | 0.0390 | 0.0390 | 0.0390 | 0.0440 | 0.0440 |
| | 0.0510 | 0.0460 | 0.0460 | 0.0450 | 0.0400 |
| | 0.0920 | 0.0785 | 0.0850 | 0.0900 | 0.0880 |
| | 0.0300 | 0.0260 | 0.0260 | 0.0300 | 0.0300 |
| | 0.0480 | 0.0480 | 0.0480 | 0.0580 | 0.0580 |
| | 0.2000 | 0.1920 | 0.2020 | 0.2200 | 0.2200 |

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Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)

| Taxpayer | Type of Business | Fiscal Year 2009 | | | Fiscal Year 2000 | | |
|--|-----------------------|-----------------------|------|--|-----------------------|------|--|
| | | Assessed Valuation | Rank | Percentage of Total Assessed Valuation | Assessed Valuation | Rank | Percentage of Total Assessed Valuation |
| Duke Energy | Public utility | \$ 89,524,645 | 1 | 0.73% | \$ 74,906,775 | 1 | 1.06% |
| VAC Limited Partnership | Apartment rental | 62,702,256 | 2 | 0.51% | 48,983,131 | 3 | 0.70% |
| US CT LLC | Property owners trust | 50,120,115 | 3 | 0.41% | | | |
| Piedmont Electric Membership | Public utility | 46,539,477 | 4 | 0.35% | 31,446,509 | 6 | 0.44% |
| Blue Cross Blue Shield | Insurance provider | 36,432,449 | 5 | 0.30% | 64,221,198 | 2 | 0.91% |
| Corium LLC | Insurance provider | 32,584,496 | 6 | 0.26% | | | |
| Madison University Mall Properties | Retail | 32,336,426 | 7 | 0.26% | 18,688,039 | 9 | 0.26% |
| Bell South | Public utility | 31,052,192 | 8 | 0.25% | 37,205,714 | 5 | 0.52% |
| Europa Center LLC | Hotel | 27,031,431 | 9 | 0.22% | | | |
| DDRM Meadowmont Village Center LLC | Real Estate | 22,577,932 | 10 | 0.18% | | | |
| Elizabeth Kenan Trustee | Property owners trust | | | | 45,608,328 | 4 | 0.66% |
| Chapel Hill Residential Retirement Ctr | Retirement Facility | | | | 28,303,617 | 7 | 0.39% |
| General Electric Company | Manufacturer | | | | 21,294,211 | 8 | 0.30% |
| Armstrong | Manufacturer | | | | 18,572,926 | 10 | 0.26% |
| | | <u>\$ 430,901,419</u> | | <u>3.47%</u> | <u>\$ 389,230,448</u> | | <u>5.50%</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 |
|----------|------------------------|-------------------------------|------------------------------------|-------------------------|
| 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% |
| 2007 | 2008 | 119,467,330 | 117,907,855 | 98.69% |
| 2008 | 2009 | 127,813,510 | 126,215,432 | 98.75% |

*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 |
|----------------------------------|----------------------------------|---|---------------------------------|--|
| \$ 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 | 99.91% | 2,774,093 | 2.50% |
| 984,746 | 118,892,601 | 99.52% | 3,293,772 | 2.76% |
| 1,282,847 | 127,498,279 | 99.75% | 3,660,536 | 2.86% |

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 | |
| 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 | - |
| 2008 | 130,290,000 | - | 86,838,352 | 903,355 | - |
| 2009 | 121,415,000 | - | 113,038,877 | 2,382,346 | - |

*Information not yet available.

(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 2008 personal income not available to calculate fiscal year 2009.

Table 9

| Business-Type Activities | | | Total Primary Government | Per Capita (1) | Percentage of Personal Income (1) |
|--------------------------|-------------------|------------------|-----------------------------|----------------|--------------------------------------|
| Revenue Bonds | Installment Loans | Capital Leases | | | |
| \$ - | \$ - | \$ - | \$ 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 | 4.76% |
| - | 5,419,895 | 1,147,582 | 224,599,184 | 1,763 | 3.82% |
| - | 8,634,353 | 1,442,894 | 246,913,470 | 1,881 | * |

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 |
| 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 | 130,255,000 | - | 130,255,000 |
| 2008 | 130,290,000 | - | 130,290,000 |
| 2009 | 121,415,000 | - | 121,415,000 |

*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 2008 personal income not available to calculate fiscal year 2009.
- (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) |
|--------------------------------------|--|----------------|
| 2.87% | 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 |
| 2.57% | 1.13% | 1,113 |
| 2.39% | 1.04% | 1,023 |
| * | 0.95% | 926 |

Orange County, North Carolina

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

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assessed value of property | \$ 12,820,238 | \$ 12,581,220 | \$ 12,330,315 | \$ 11,597,244 | \$ 10,084,127 |
| Debt limit, 8% of assessed value (statutory limitation) | 1,025,619 | 1,006,498 | 986,425 | 927,780 | 806,730 |
| Amount of debt applicable to limit: | | | | | |
| Gross debt | 224,599 | 224,599 | 240,974 | 196,624 | 154,472 |
| Less: | | | | | |
| Amount available for repayment of general obligation bonds | - | - | - | - | - |
| Debt outstanding for water and sewer purposes | - | - | - | - | - |
| Revenue bonds | - | - | - | - | - |
| Total net debt applicable to limit | 224,599 | 224,599 | 240,974 | 196,624 | 154,472 |
| Legal debt margin | \$ 801,020 | \$ 781,899 | \$ 745,451 | \$ 731,156 | \$ 652,258 |
| Total net debt applicable to the limit as a percentage of debt limit | 21.90% | 22.31% | 24.47% | 21.19% | 19.15% |

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 yet to be issued; and revenue bonds. The debt limit and the County's net debt outstanding applicable to the limit, and represents the County's legal borrowing authority.

Table 11

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|----|-----------|--------------|--------------|--------------|--------------|
| \$ | 9,735,182 | \$ 9,445,863 | \$ 9,106,471 | \$ 7,363,603 | \$ 7,025,945 |
| | 778,815 | 755,669 | 728,518 | 589,088 | 562,076 |
| | 137,975 | 147,866 | 133,669 | 124,867 | 117,582 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | 137,975 | 147,866 | 133,669 | 124,867 | 117,582 |
| \$ | 640,840 | \$ 607,803 | \$ 594,849 | \$ 464,221 | \$ 444,494 |
| | 17.72% | 19.57% | 18.35% | 21.20% | 20.92% |

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Direct and Overlapping Governmental Activities Debt
(Unaudited)
June 30, 2009

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|-----------------------------------|---------------------|---------------------------------------|--|
| Municipalities | | | |
| Town of Chapel Hill | \$ 39,185,000 | 100% | \$ 39,185,000 |
| Town of Hillsborough | 9,550,073 | 100% | 9,550,073 |
| Town of Carrboro | 6,996,943 | 100% | 6,996,943 |
| City of Durham | 376,671,006 | 3% | 11,300,130 |
| Town of Mebane | 12,146,520 | 30% | 3,643,956 |
| Total direct debt | | | 444,549,542 |
| Total direct and overlapping debt | | | <u>\$ 515,225,644</u> |

Source: Finance Officers of above listed municipalities.

Orange County, North Carolina

Demographic and Economic Statistics
 Last Ten Fiscal Years
 (Unaudited)

| Year | Population (1) | Personal Income (2) (Thousands of Dollars) |
|------|----------------|---|
| 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 | 5,060,894 |
| 2008 | 127,344 | 5,450,187 |
| 2009 | 131,123 | * |

*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 Capita Personal Income (2) | Median Age | Public Schools Enrollment (3) | Unemployment Rate (4) | Number of Building Inspections Performed (5) |
|----|-----------------------------------|------------|----------------------------------|--------------------------|--|
| \$ | 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 |
| | 35,229 | 32.15 | 18,580 | 3.2% | 1,965 |
| | 35,084 | 33.20 | 18,696 | 6.3% | 1,573 |

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**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

| Employer | 2009 | | | 2000 | | |
|-----------------------------------|-----------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| UNC-Chapel Hill | 12,084 | 1 | 18.79% | 10,151 | 1 | 16.07% |
| UNC Hospitals | 7,977 | 2 | 12.40% | 4,420 | 2 | 7.00% |
| Chapel Hill Carrboro City Schools | 1,910 | 3 | 2.97% | 1,600 | 4 | 2.53% |
| Blue Cross Blue Shield | 1,373 | 4 | 2.13% | 2,801 | 3 | 4.44% |
| Orange County Schools | 1,000 | 5 | 1.55% | 907 | 5 | 1.44% |
| Orange County Government | 837 | 6 | 1.30% | 677 | 8 | 1.07% |
| Town of Chapel Hill | 712 | 7 | 1.11% | 747 | 7 | 1.18% |
| HRR Prime LLC | 572 | 8 | 0.89% | | | |
| Harris Teeter, Inc | 522 | 9 | 0.81% | 550 | 9 | 0.87% |
| General Electric Corporation | 400 | 10 | 0.62% | 750 | 6 | 1.19% |
| Food Lion | | | | 390 | 10 | 0.62% |

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
 (Unaudited)

| Function/Program | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| Government and management | 74.20 | 58.00 | 60.00 | 60.00 | 53.00 |
| General services | 123.40 | 101.00 | 113.60 | 114.20 | 114.20 |
| Community and environment | 55.55 | 55.00 | 53.00 | 48.50 | 48.50 |
| Human services | 318.60 | 287.00 | 299.10 | 294.30 | 301.40 |
| Public safety | 223.40 | 214.80 | 206.00 | 202.50 | 202.50 |
| Culture and recreation | 49.25 | 31.60 | 32.60 | 31.10 | 31.10 |
| Solid Waste Enterprise | 44.40 | 55.00 | 40.00 | 43.00 | 43.00 |
| Total | 888.80 | 802.40 | 804.30 | 793.60 | 793.70 |

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

| 2004 | 2003 | 2002 | 2001 | 2000 |
|--------|--------|--------|--------|--------|
| 35.80 | 35.80 | 35.80 | 35.80 | 35.80 |
| 112.60 | 110.40 | 110.40 | 109.40 | 111.40 |
| 49.00 | 44.00 | 44.00 | 44.00 | 39.00 |
| 287.50 | 286.44 | 285.44 | 274.97 | 267.40 |
| 202.50 | 194.50 | 176.50 | 172.50 | 171.50 |
| 30.10 | 30.10 | 29.10 | 25.60 | 25.60 |
| 43.00 | 38.00 | 34.00 | - | - |
| 760.50 | 739.24 | 715.24 | 662.27 | 650.70 |

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Operating Indicators by Function
Last Six Fiscal Years
(Unaudited)

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---------------|---------|---------|---------|---------|---------|
| Governing and Management: | | | | | | |
| Number of animals sheltered | Not Available | 4,910 | 4,319 | 4,610 | 4,470 | 4,504 |
| Number of rabies investigations | 150 | 163 | 227 | 186 | 210 | 149 |
| Employment applications received | 4,522 | 4,032 | 2,815 | 4,500 | 2,015 | 3,650 |
| General Services: | | | | | | |
| Incoming Calls to Technology Help Desk | 1,081 | 1,629 | 1,609 | 2,447 | 3,733 | 4,447 |
| Real Estate documents processed | 32,180 | 27,000 | 24,951 | 27,206 | 28,744 | 22,975 |
| Vital records recorded and issued | 15,849 | 16,367 | 16,649 | 12,150 | 15,223 | 18,081 |
| Community and Environment: | | | | | | |
| Building permits issued | 985 | 864 | 953 | 914 | 891 | 824 |
| Bldg, plumb, mech & elec inspections completed | 17,775 | 18,239 | 18,726 | 18,222 | 17,000 | 13,545 |
| Human Services: | | | | | | |
| Households receiving food stamps | 2,335 | 2,763 | 2,987 | 2,978 | 3,230 | 3,430 |
| Number of Medicaid cases | 4,839 | 5,283 | 5,785 | 6,019 | 6,424 | 6,820 |
| Number of families receiving daycare subsidy | 377 | 319 | 317 | 280 | 330 | 600 |
| Total number of dental patient visits | 3,817 | 4,000 | 4,010 | 3,722 | 3,495 | 4,165 |
| Family planning clients served | 1,135 | 1,140 | 1,191 | 1,156 | 1,150 | 1,045 |
| Public Safety: | | | | | | |
| Requests for EMS service | 8,865 | 9,050 | 9,486 | 10,988 | 11,463 | 10,945 |
| Number of fire inspections | 180 | 188 | 190 | 235 | 270 | 87 |
| Average number of non-federal inmates per month | 138 | 145 | 150 | 162 | 170 | 175 |
| Culture and Recreation: | | | | | | |
| Library materials circulated at OC Library | 100,000 | 153,435 | 167,000 | 178,911 | 180,000 | 209,023 |
| Number of reference volumes at OC Library | 2,200 | 2,363 | 2,411 | 2,475 | 2,493 | 2,300.0 |
| Education: | | | | | | |
| Average daily membership | 17,414 | 17,818 | 17,876 | 18,192 | 18,530 | 18,898 |
| County current expense appropriation per pupil (\$) | 2,566 | 2,623 | 2,796 | 2,957 | 2,957 | 3,200 |

Source: Orange County Finance Department and the Orange County School system.

Capital Asset Statistics by Function
Last Two Fiscal Years
(Unaudited)

| Function/Program | 2008 | 2009 |
|---|---------|---------|
| Human Services: | | |
| Public health occupied square footage | 18,400 | 18,400 |
| Social services occupied square footage | 24,584 | 24,584 |
| Cooperative extension occupied square footage | 4,986 | 4,986 |
| Number of centers | 12 | 13 |
| Public Safety: | | |
| Number of law enforcement vehicles | 118 | 111 |
| Number of emergency services vehicles | 42 | 38 |
| Number of animal control vehicles | 8 | 8 |
| Detention capacity | 129 | 129 |
| Culture and Recreation: | | |
| Libraries - branches | 4 | 4 |
| Volume of library books | 253,484 | 278,488 |
| Education: | | |
| Number of schools | 29 | 29 |

Source: Orange County Finance Department and the Orange County School system.

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, the discretely presented component unit, 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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 15, 2010. 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 2009-1 through 2009-8 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, of the significant deficiencies we believe that items 2009-1 through 2009-5 described in the accompanying *Schedule of Findings and Questioned Costs* are material weaknesses.

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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying *Schedule of Findings and Questioned Costs* as items 2009-9 and 2009-10.

The County's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the County's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the County in a separate letter dated January 15, 2010.

This report is intended solely for the information and use of members of the Board of County Commissioners, management, others within the organization, 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
January 15, 2010

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 (the "County"), 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, 2009. 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2009-12.

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 as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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.

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. Of the deficiency in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs*, we consider item 2009-11 to be a material weakness.

The County's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Board of County Commissioners, management, others within the organization, 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
January 15, 2010

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, 2009. 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, 2009. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements that are required to be reported in accordance with the State Single Audit Implementation Act and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2009-14 and 2009-15.

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.

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 as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. Of the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs*, we consider item 2009-13 to be a material weakness.

The County's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Board of County Commissioners, management, others within the organization, 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
January 15, 2010

Orange County, North Carolina

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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> X </u> Yes | <u> </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> X </u> Yes | <u> </u> No |

Federal Awards

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

| CFDA Numbers | Name of Federal Program or Cluster |
|------------------------|---|
| 14.871 | Section 8 Housing Choice Vouchers |
| 93.778 and 93.778 ARRA | Medical Assistance Program |
| 93.568 | Crisis Intervention, Low-Income Energy Assistance and Energy Assistance |

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

 \$ 2,896,204

Auditee qualified as low-risk auditee?

 Yes X No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings

Finding: 2009-1

Material Weakness in Internal Control

Criteria: The County is responsible for appropriate oversight of the payroll policies in place by a third party management company for the SportsPlex enterprise fund. The SportsPlex operations should be no different than those of any other department of the County. The personnel files should contain the documentation required by the County and reviews of the payroll information should be done by the County prior to the County transferring funds to the management company to cover the payroll of SportsPlex.

Condition/Context: Through audit procedures performed, the audit team noted employee personnel files that did not have a completed employment application form in their respective personnel folders. There was also no indication of any reviews of the payroll information being performed by the County prior to transferring funds to cover SportsPlex payroll. The only documentation was a check request from the management company of SportsPlex.

Effect: Payments could be made by the County to ineligible employees of SportsPlex.

Cause: Lack of sufficient oversight and review from the County finance department.

Recommendation: The County finance department should institute reviews of employee personnel files and payroll information prior to any payouts. The reviews should not be any different than the reviews of any other County department.

View of Responsible Officials and Planned Corrective Action: Management concurs with the finding. The County believes it would be more efficient and effective to maintain the records for the operations of the SportsPlex in house.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-2

Material Weakness in Internal Control

Criteria: The County is responsible for appropriate oversight of the bookkeeping performed by a third party management company for the SportsPlex enterprise fund to ensure the balances reported are materially accurate.

Condition/Context: The County budgets expenses for the SportsPlex as one line item called "operating expenses" but books items to various line items on the County's general ledger system. During testing performed it was noted that the amounts booked to a payroll line item by the County was significantly different than the amount indicated by the management company at SportsPlex. Neither the County nor the management company at SportsPlex could reconcile the amounts that each was reporting due to the misclassification of expenses booked by the County to this payroll line item.

Effect: Misstatement of expenses shown on the County's books.

Cause: Lack of sufficient oversight and review from the County finance department to effectively monitor the operations of SportsPlex.

Recommendation: The County needs to more closely monitor operations, so that it can efficiently and effectively analyze any changes in operations.

View of Responsible Officials and Planned Corrective Action: Management concurs with the finding. The County believes it would be more efficient and effective to maintain the records for the operations of the SportsPlex in house.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-3

Material Weakness in Internal Control

Criteria: Under GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the County to record, process and report its Other Postemployment Benefit ("OPEB") liability.

Condition/Context: The County has an actuary calculate its OPEB liability. The OPEB liability calculated by the actuary did not include the prior year liability amount in the calculation. The County originally booked the liability solely on the actuary's report which reduced the County's liability by approximately \$2,000,000. The County also did not reduce the actuary's liability by the amount of benefits paid by the County in the amount of approximately \$1,000,000.

In addition, the County's policy is to only provide OPEB based on years of service at the County. The County relied on the actuary to gather information related to an employee's years of service for the calculation of the OPEB liability. The actuary obtained the employee's years of service using the State's LGERS system which included not only years of service for the County but also years of service with other governmental entities. Of a sample of 13 active employees tested from the actuary's report, two employees were noted with years of service that were greater than their employment with the County, as documented in the County's personnel file.

Effect: The County had to make an adjustment of approximately \$7,000,000 to the OPEB liability that was originally booked. In addition, the County has a potential overstatement of the OPEB liability during any given year.

Cause: The County did not properly review the actuary's report to ensure that all activity had been properly accounted for.

Recommendation: The County should review the actuary's report to ensure that information is correct. This includes information provided to the actuary and information received back from the actuary.

View of Responsible Officials and Planned Corrective Action: Management concurs with the finding. The actuary's report will be reviewed for completeness and accuracy before it is given to staff for booking of liability .

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-4

Material Weakness in Internal Control

Criteria: GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, requires the County to record an expense and liability for certain closing functions and postclosure monitoring and maintenance functions in each period in which the municipal solid waste landfill accepts solid waste.

Condition/Context: The calculation of the post closure liability amount that is calculated by a 3rd party specialist should be reviewed for accuracy. The County failed to post the corrective action portion of the North Site Landfill and the costs associated with the New Eubanks Road C&D Landfill on the post closure report provided by the specialist.

Effect: The County had to adjust the Post Closure Liability by approximately \$1,830,000.

Cause: Improper review of the 3rd party's report and review of the liability booked.

Recommendation: The County should perform proper reviews of the 3rd party's report and amounts booked as a liability to ensure that amounts are properly recorded. Any issues should be immediately brought up to the 3rd party's attention for correction.

View of Responsible Officials and Planned Corrective Action: We concur with the recommendation and will ensure that the post closure liability is properly recorded and reported in our financial statements in the future.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-5

Material Weakness in Internal Control

Criteria: GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires capital asset records to be maintained by the County in a complete, accurate and detailed method.

Condition/Context: During capital asset testing we noted capital assets that should have been disposed of in prior years. In addition, the County improperly capitalized an expenditure that did not belong to the County.

Effect: The County's capital asset records could be overstated by assets no longer owned by the County. In the current year, the County added an asset totaling approximately \$800,000 that it did not own.

Cause: The County did not properly review capital asset addition and disposal transactions. This resulted in the overstatement of governmental-type capital assets.

Recommendation: The County should institute a policy whereby only amounts that should be capitalized should be coded to a capital outlay account. The County should also review capital assets prior to posting transactions to the general ledger. In addition, the County should conduct a physical inventory annually.

View of Responsible Officials and Planned Corrective Action: The County will properly review projects prior to establishing accounts, so that non-owned assets are not capitalized.

(Continued)

Orange County, North Carolina

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-6

Significant Deficiency in Internal Control

Criteria: GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, requires debt obligation records to be maintained by the County in a complete, accurate, and detailed method.

Condition/Context: During debt testing, we noted that the County had been using an incorrect amortization schedule due to a refunding of its debt. The bank issued the amortization schedule with a beginning principal balance.

Effect: Principal balance was understated by approximately \$230,000, due to incorrect schedule being used for recording amortization.

Cause: Lack of monitoring by the County allowed an incorrect amortization schedule to be utilized and the principal balance to be understated.

Recommendation: The County should closely monitor and review amortization schedules to ensure that all documents are accurate and correct.

View of Responsible Officials and Planned Corrective Action: The County concurs with the finding and will reconcile debt activity to corrected amortization schedules.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-7

Significant Deficiency in Internal Control

Criteria: All employee access to the County's system should be terminated on the employee's last day of employment.

Condition/Context: During the audit, it was noted that some terminated employees still had active access to the County's network.

Effect: Potential for unauthorized access to the County's network could lead to access to classified information or damages to the network.

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 the employee's access to the County's system.

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

View of Responsible Officials and Planned Corrective Action: The County's Human Resources Director and IT department personnel 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, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-8

Significant Deficiency in Internal Control

Criteria: Transfers in and out between projects within a fund should net against each other in order to not overstate revenue and expenditures/expenses within a fund.

Condition/Context: During the audit, it was noted that the County's interproject transfers did not net appropriately. The issue was noted in the County Capital Project and School Capital Project Funds.

Effect: Improper classification of interproject transfers within the fund could lead to the overstatement or understatement of revenues and expenditures/expenses within the fund.

Cause: Interproject transfers were recorded to clean-up project balances related to prior years and to properly show amounts related to specific projects. There was no review done to ensure that amounts classified as interproject transfers properly netted against each other.

Recommendation: Interproject transfers should be reviewed prior to closing the books to ensure the transfers between projects properly eliminate within the fund.

View of Responsible Officials and Planned Corrective Action: County staff will pursue completing all entries before the auditors begin and will make the auditors aware of any outstanding issues that still need to be addressed.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-9

Compliance With County's Policy

Criteria: The County's policy is that all time cards for straight time be signed by the employee, supervisor and personnel prior to being paid.

Condition/Context: It was noted that 15 time cards examined out of a sample of 46 were found to be deficient of having the proper signatures on the time cards prior to being paid out.

Effect: Expenses could be overstated due to improper coding of employee time worked.

Cause: The County did not properly monitor or review time cards as stated in the County's policy.

Recommendation: The County should review that all time cards contain the necessary approvals prior to being paid out as stated in the County's policy. If the individual is a department head, then finance should be signing off indicating approval.

Views of Responsible Officials and Planned Corrective Action: We concur with the recommendation and will review our policies and procedures to ensure in the future that all timecards are properly signed in accordance with the County's policy.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section II - Financial Statement Findings (Continued)

Finding: 2009-10

Compliance With State Statute

Criteria: North Carolina State Statute G.S. 159-13 requires that budget amendments must be made prior to obligating funds in excess of budgeted appropriations at the level at which the budget has been adopted. The County's policy is that expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds.

Condition/Context: The County exceeded budget limits within functional levels for which the budget was adopted in the Section 8 Special Revenue Fund.

Effect: The County exceeded the authorized appropriations made by the governing board.

Cause: The Section 8 Housing Special Revenue Fund excess expenditures occurred as a result of no grant funds to cover these over expenditures. These expenditures should have been reclassified to the General Fund where there was budgeted funds to cover them.

Recommendation: We recommend that the County perform reviews of its budget before approving any expenditure or expense. Any amounts that exceed the level of the legally adopted budget should not be approved until a Board-approved budget amendment can be approved.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding. Management will project potential expenditures more thoroughly to address areas that exceed budget and will more closely review budget reports to ensure compliance in future years.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section III - Findings and Questioned Costs for Federal Awards

Finding: 2009-11
Grant: All Federal Grants

Material Weakness in Internal Control

Criteria: As indicated in a response by the Office of Management and Budget ("OMB") related to OMB A-133 Subpart C section .300 *Auditee Responsibilities*, 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 amount presented in the schedule to the amount that is reported in the general purpose financial statements.

Condition/Context: During the audit, it was noted that some of the funding for federal programs that are not direct payments to the County's citizens by the Federal government could not be reconciled to the County's general ledger. In addition, during the audit it was noted that program CFDA 10.913, Farm and Ranch Program, had not been identified on the original SEFSA.

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

Cause: Individual departments receiving awards did not inform the Finance Office about the appropriate accounts to 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 County'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 plans to prepare the SEFSA in house in the future which will result in more time involvement which will facilitate preparing 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)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section III - Findings and Questioned Costs for Federal Awards (Continued)

Finding: 2009-12

Category: Eligibility

Grant: Crisis Intervention, Low-Income Energy Assistance and Energy Assistance under grant number 93.568

Criteria: The DSS-8114, *Low Income Energy Assistance Program Application*, is required to indicate the income and energy (fuel) type for each applicant.

Condition/Context: During testing we noted 1 instance in a sample of 18 in which the County was not following the program's policy. The States system indicated a fuel type of "Electric" for this participant, although the information was not listed on the application.

Questioned Costs: The benefit payment resulting from this application was \$206.

Effect: Improper benefit payments could potentially occur as the State's system automatically determines payment information based on an applicant's income level and the type of energy costs.

Cause: Lack of reviews of individual files to ensure that the program requirements were being followed.

Recommendation: All applications should be reviewed to ensure they are entirely completed before entering the information into the State's system.

View of Responsible Officials and Planned Corrective Action: The County agrees with the finding and believes this to be an isolated incident. The DSS staff will be retrained on the requirement to check the energy (fuel) type on the application.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section IV - Findings and Questioned Costs for State Awards

Finding: 2009-13
Grant: All State Grants

Material Weakness in Internal Control

Criteria: As indicated in a response by the Office of Management and Budget ("OMB") related to OMB A-133 Subpart C section .300 *Auditee Responsibilities*, 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 amount presented in the schedule to the amount that is reported in the general purpose financial statements. In accordance with G.S. 159-34, the State Single Audit Implementation Act, the Secretary of the Local Government Commission has determined that this section of OMB Circular No. A-133 applies to the audit of State awards.

Condition/Context: During the audit, it was noted that some of the funding for state programs that are not direct payments to the County's citizens by the State government could not be reconciled to the County's general ledger. In addition, during the audit, it was noted that the Early Child Initiative, Safe Roads Act, Rural Public Transport and the NC Matching grants had not been identified on the original SEFSA.

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

Cause: Individual departments receiving awards did not inform the Finance Office about the appropriate accounts to 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 County's 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 plans to prepare the SEFSA in house in the future which will result in more time involvement which will facilitate preparing 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)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section IV - Findings and Questioned Costs for State Awards (Continued)

Finding: 2009-14

Category: Reporting

State Grant: Department of Social Services Cross-Cutting Requirements

Criteria: Policies specified by the Department of Health and Human Services regarding the Worker Daily Report of Services (DSS-4263) (the "day sheet"), states "after the worker completes all entries on the Daily Report the form should be signed in the space at the bottom of the form to certify the accuracy and completeness of the information provided." The day sheets should also be reviewed by a supervisor before the information is reported on the 1571.

Condition/Context: During our testing, we note one instance in a sample of 23 in which the County was not following the policies set forth by the Department of Health and Human Services. The day sheets for the entire month of March for this one employee were not signed by the employee, and were not signed by the employee's supervisor.

Questioned Costs: \$695.72 was reimbursed on the 1571 related to the time for this employee.

Effect: Improper reimbursement could potentially occur as the State determines payment information based on information reported monthly on the 1571.

Cause: Lack of reviews of day sheets to ensure that the policies set forth by the Department of Health and Human Services are being followed.

Recommendation: All day sheets should be reviewed to ensure completeness and accuracy before time information is reported on the 1571.

View of Responsible Officials and Planned Corrective Action: The County agrees with the stated finding. Although the worker completed the form correctly, it was not signed as required by County and DSS policy. All managers are working with staff to assure that all forms are signed by workers as required.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Section IV - Findings and Questioned Costs for State Awards (Continued)

Finding: 2009-15

Category: Reporting

State Grant: Department of Social Services Cross-Cutting Requirements

Criteria: According to the policies specified by the Department of Health and Human Services regarding the indirect cost plan, the local Department of Social Services ("DSS") must submit indirect costs that have been approved by the DSS Director and the County Manager and/or the Director of Finance.

Condition/Context: During our testing, we noted an instance where an amount being requested for reimbursement under the monthly 1571 did not agree to one of the two indirect cost plans performed by an outside entity. This one plan was reported to the local DSS agency by the County to include in the indirect cost reimbursement but was never substantiated and never signed as required.

Questioned Costs: Approximately \$210,000 was not claimed for reimbursement on the 1571 from the time period of November 2008 to June 30, 2009.

Effect: Improper reimbursement of funds that would be spent by the County and understatement of expenses reported on the monthly 1571 report.

Cause: Lack of reviews by the County to ensure that the information submitted on the monthly 1571 was correct based on the approved indirect cost plans. There was also a lack of oversight by the County to obtain all required signatures on the one indirect cost plan.

Recommendation: All indirect cost plans should be submitted to both the DSS Director and the County Director of Finance. Both parties should review the information to ensure that the indirect costs are appropriate. Once the indirect plan has been reviewed, the monthly indirect costs should be reviewed to ensure that the amounts agree before being certified by both parties.

View of Responsible Officials and Planned Corrective Action: We concur with the recommendation and will review and properly certify and submit all information related to the indirect cost plan in the future.

Orange County, North Carolina

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Financial Statement Findings

Finding: 08-1

Material Weakness in Internal Control

Summary of finding: The County failed to properly record construction in progress ("CIP") assets for projects that were being tracked in the County Capital Project Fund that would be capitalized when placed into operation. The County also recorded CIP for items that were being constructed by the County for another entity which were transferred in prior years. The expenditures noted that were not capitalized resulted in the understatement of capital assets and net assets at July 1, 2007, which resulted in a restatement of the beginning net assets for the government-wide statements.

Corrective action taken: Issues with the County's capital asset addition/disposal policy have been shown as a material weakness as finding 2009-5.

Finding: 08-2

Material Weakness in Internal Control

Summary of finding: The County's trial balance did not agree to the trial balance maintained by the SportsPlex, an enterprise fund of the County. Multiple accounts had not changed from the prior year and were materially misstated and required adjustments to agree to supporting documentation.

Corrective action taken: Issues with the County and its oversight responsibilities for the SportsPlex have been shown as material weaknesses as findings 2009-1 and 2009-2.

Finding: 08-3

Summary of finding: The County exceeded budget limits within functional levels for which the budget was adopted in certain levels in the General Fund, Grants Project Special Revenue Fund and the SportsPlex Enterprise Fund.

Corrective action taken: This is a repeat finding for June 30, 2009 shown as a compliance finding with State statutes as finding 2009-10.

(Continued)

Orange County, North Carolina

Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2009

Financial Statement Findings

Finding: 08-4

Summary of finding: The County is required to reconcile the amount presented on the Schedule of Federal and State Awards ("SEFSA") when the amounts on the SEFSA are presented on a different basis than that of the general purpose financial statements. The County was unable to reconcile the amounts on the SEFSA with the amounts on the general purpose financial statements.

Corrective action taken: This is a repeat finding for June 30, 2009 shown as a material weakness as findings 2009-11 and 2009-13.

Finding: 08-5

Summary of finding: The County is unable to properly identify all Federal or State grants that the County receives to be able to properly put together the Schedule of Federal and State Awards ("SEFSA").

Corrective action taken: This is a repeat finding for June 30, 2009 shown as a material weakness as findings 2009-11 and 2009-13.

Finding: 08-6

Summary of finding: All access by an employee to the County's system should be terminated on the same day the employee leaves or is terminated. During 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.

Corrective action taken: This is a repeat finding for June 30, 2009 shown as a significant deficiency as finding 2009-7.

(Continued)

Orange County, North Carolina

Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2009

Financial Statement Findings

Finding: 08-7

Summary of finding: The County's interfund transfers did not net appropriately.

Corrective action taken: This issue has been corrected in regards to transfers between funds. However, issues with interproject transfers not netting appropriately has been shown as a significant deficiency as finding 2009-8.

Finding: 08-8

Summary of finding: Balances recorded for the landfill enterprise fund had not been updated for payments made during fiscal year 2008. The payments were kept on the modified accrual basis during the year and were not adjusted to full accrual at the time of the audit.

Corrective action taken: This issue has been corrected for June 30, 2009. However, there was an issue with the proper recording of the postclosure liability for the landfill as of June 30, 2009, which has been shown as a material weakness as Finding 2009-4.

Finding: 08-9

Summary of finding: The County failed to record accounts payable liabilities for some expenses incurred prior to the end of the 2008 fiscal year.

Corrective action taken: This issue has been corrected for June 30, 2009.

Orange County, North Carolina

Corrective Action Plan
Year Ended June 30, 2009

| | |
|--|---|
| Finding: | 2009-1 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will work to bring the handling of expenses incurred by the SportsPlex in house, so that they are treated the same as any other County department. |
| Proposed Completion Date: | New procedure will be implemented as soon as possible. |
| Finding: | 2009-2 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will work to bring the handling of expenses incurred by the SportsPlex in house, so that they are treated the same as any other County department. |
| Proposed Completion Date: | New procedure will be implemented as soon as possible. |
| Finding: | 2009-3 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will review reports by the actuary for completeness and accuracy before they are given to staff for booking of liability. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-4 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will review reports by the specialist for completeness and accuracy before they are given to staff for booking of liability. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |

(Continued)

Orange County, North Carolina

Corrective Action Plan (Continued)
Year Ended June 30, 2009

| | |
|--|--|
| Finding: | 2009-5 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will review projects prior to establishing accounts, so that non-owned assets are not capitalized. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-6 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will review any refunding schedules for completeness and compare the amounts with the amounts recorded on the general ledger. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-7 |
| Name of Contact Person: | Michael McGinnis, Human Resources Director, and Todd Jones, IT Director |
| Corrective Action Taken or Planned: | The Human Resources will produce a monthly termination report from the payroll system to identify terminated employees and will provide the report to the IT Department to remove the employee's access to County systems. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |

(Continued)

Orange County, North Carolina

Corrective Action Plan (Continued)
Year Ended June 30, 2009

| | |
|--|---|
| Finding: | 2009-8 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services, and Howard Fitts, Accountant |
| Corrective Action Taken or Planned: | The County will perform a review of interproject transfers prior to the start of the audit to ensure they net appropriately. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-9 |
| Name of Contact Person: | Michael McGinnis, Human Resources Director, and Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will put procedures in place to ensure that time cards are properly signed off as required by County's internal control policy. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-10 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | Management will review budget reports more closely and project potential expenditures more thoroughly to address areas that may exceed budget in order to ensure compliance in future fiscal years. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |

(Continued)

Orange County, North Carolina

Corrective Action Plan (Continued)
Year Ended June 30, 2009

| | |
|--|--|
| Finding: | 2009-11 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will request information from County departments in assembling the Schedule of Expenditures of Federal and State Awards ("SEFSA") and will review and reconcile the next submission of the SEFSA to the general ledger. |
| Proposed Completion Date: | Management expects to do a complete review and reconciliation with the next submission of the SEFSA for the fiscal year ending June 30, 2010. |
| Finding: | 2009-12 |
| Name of Contact Person: | Nancy Coston, DSS Director |
| Corrective Action Taken or Planned: | Staff will be retrained on the requirement to check the energy (fuel) type on the application. |
| Proposed Completion Date: | Procedures will be in place during the Fiscal Year ending June 30, 2010. |
| Finding: | 2009-13 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services |
| Corrective Action Taken or Planned: | The County will request information from County departments in assembling the Schedule of Expenditures of Federal and State Awards ("SEFSA") and will review and reconcile the next submission of the SEFSA to the general ledger. |
| Proposed Completion Date: | Management expects to do a complete review and reconciliation with the next submission of the SEFSA for the fiscal year ending June 30, 2010. |

(Continued)

Orange County, North Carolina

Corrective Action Plan (Continued)

Year Ended June 30, 2009

| | |
|--|--|
| Finding: | 2009-14 |
| Name of Contact Person: | Nancy Coston, DSS Director |
| Corrective Action Taken or Planned: | All managers are working with staff to assure that all forms are signed by the workers. |
| Proposed Completion Date: | Procedures will be in place during the fiscal year ending June 30, 2010. |
| Finding: | 2009-15 |
| Name of Contact Person: | Clarence Grier, Director of Financial Services, and Nancy Coston, DSS Director |
| Corrective Action Taken or Planned: | The County and DSS will communicate, review, and properly certify all information related to the indirect cost plan. |
| Proposed Completion Date: | Procedures will be in place during the fiscal year ending June 30, 2010. |

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Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2009

| 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 | \$ 58,350 | \$ - | \$ 250,764 |
| Farm and Ranch Protection Program | 10.913 | 1,272,340 | - | - |
| Passed-Through N. C. Department of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| Food Stamp Cluster: | | | | |
| Food Stamps - direct benefit payments | 10.561 | 10,248,329 | - | - |
| Food Stamps Administration | 10.561 | 697,346 | - | 697,346 |
| Food Stamp Fraud Admin | 10.561 | 50,351 | - | 50,351 |
| Food Stamps E&T & Depend Care | 10.561 | 4,275 | - | 4,275 |
| Total Food Stamp Cluster | | 11,000,301 | - | 751,972 |
| Total U. S. Department of Agriculture | | 12,330,991 | - | 1,002,736 |
| U. S. Department of Housing and Urban Development: | | | | |
| Direct Programs: | | | | |
| Lower Income Housing Assistance: | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | 4,092,221 | - | - |
| Home Investment Partnership Program | 14.239 | 687,226 | - | - |
| Cooperative Fair Housing Assistance Program | 14.401 | 47,866 | - | - |
| Home Visiting Grant | 14.415 | 45,164 | - | - |
| Passed-Through N.C. Department of Commerce: | | | | |
| Division of Community Assistance: | | | | |
| Community Development Block Grant - Scattered Site Housing | 14.218 | 134,296 | - | - |
| Total U. S. Department of Housing and Urban Development | | 5,006,773 | - | - |
| U. S. Department of Justice - Office of Justice Programs: | | | | |
| Passed-through N.C. Department of Justice: | | | | |
| COPS Technology | 16.580 | 177,062 | - | - |
| COPS in School | 16.710 | - | - | 6,708 |
| Passed-Through the City of Durham: | | | | |
| COPS Interoperable Communications Technology Program | 16.710 | 343,435 | - | - |
| COPS Fast | 16.710 | 77,684 | - | - |
| School Resources | 16.710 | 180,000 | - | - |
| Total U. S. Department of Justice | | 778,181 | - | 6,708 |
| U. S. Department of Transportation: | | | | |
| Passed-Through N. C. Department of Transportation: | | | | |
| Rural Capital Program | | | | |
| Rural Capital Program - ARRA | 20.509 - ARRA | 107,701 | - | - |
| Governor's Highway Safety Program | 20.600 | 190,257 | - | - |
| Total U. S. Department of Transportation | | 297,958 | - | - |
| U.S. Environmental Protection Agency | | | | |
| National Pollutant Discharge Elimination System | 66.463 | 81,700 | - | - |

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2009

| 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 | \$ 199,612 | \$ - | \$ 820,581 |
| National Family Caregiver Support | 93.052 | 56,839 | - | - |
| Division of Child Development: | | | | |
| Subsidized Child Care Cluster: | | | | |
| Child Care Development Fund-Administration | 93.596 | 177,527 | - | - |
| Child Care and Development Fund - Discretionary | 93.575 | 2,269,804 | - | - |
| Child Care and Development Fund - Mandatory | 93.596 | 871,522 | - | - |
| Child Care and Development Fund - Match | 93.596 | 273,431 | 150,533 | - |
| Total Child Care Cluster | | 3,592,284 | 150,533 | - |
| Social Services Block Grant | 93.667 | 38,254 | - | - |
| Temporary Assistance for Needy Families | 93.558 | 881,774 | - | - |
| State Appropriations | | - | 305,924 | - |
| TANF-MOE | | - | (8,048) | - |
| Total Subsidized Child Care Cluster | | 4,512,312 | 448,409 | - |
| Division of Medical Assistance: | | | | |
| Medical Assistance Cluster: | | | | |
| Medical Assistance Program - direct benefit payments | 93.778 | 61,298,906 | 24,215,093 | 1,578,314 |
| Medical Assistance Program - direct benefit payments ARRA | 93.778 - ARRA | 3,144,907 | - | - |
| Adult Care Home Case Management | 93.778 | 49,198 | 28,665 | 20,532 |
| Medicaid Expansion | 93.778 | 10,102 | 10,102 | - |
| Medical Assistance Administration | 93.778 | 1,060,861 | - | 1,060,861 |
| Medical Transportation Administration | 93.778 | 456 | - | 456 |
| Medical Transportation Services | 93.778 | 54,837 | 27,503 | 2,676 |
| Total Medical Assistance Cluster | | 65,619,267 | 24,281,363 | 2,662,839 |
| Division of Public Health: | | | | |
| Family Planning | 93.217 | 69,026 | - | 409,371 |
| Immunization Program/Aid to County Funding | 93.268 | 27,370 | - | 162,323 |
| Prevention Investigations and Technical Assistance | 93.283 | 13,000 | - | 77,099 |
| Temporary Assistance for Needy Families | 93.558 | 7,650 | - | 45,370 |
| CCDG - Discretionary | 93.575 | 1,830 | - | 10,853 |
| Medical Assistance Program | 93.778 | 49,825 | - | 295,496 |
| HIV State Funds - Sexually Transmitted Diseases | | | | |
| Communicable Disease Expansion Budget | 93.940 | 31,000 | - | 183,851 |
| Statewide Health Promotion Program | 93.991 | 15,562 | - | 92,293 |
| Maternal and Child Health Services Block Grant | 93.994 | 207,404 | - | 1,230,045 |
| Total Division of Public Health | | 422,667 | - | 2,506,701 |

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
 Year Ended June 30, 2009

| Federal Grantor/Program Title | CFDA Number/ Grant Number | Federal Expenditures | State Expenditures | Local Expenditures |
|--|------------------------------|-------------------------|-----------------------|-----------------------|
| Division of Social Services: | | | | |
| Social Services Block Grant | 93.667 | \$ 269,781 | \$ 34,905 | \$ 101,562 |
| Social Services Block Grant - In Home Services | 93.667 | 93,067 | - | 13,295 |
| Social Services Block Grant - Adult Daycare | 93.667 | 2,200 | 2,516 | 674 |
| Family Preservation | 93.556 | 2,065 | - | - |
| TANF-Domestic Violence | 93.558 | 17,883 | - | 72 |
| TANF - Work First Functional Assessment | 93.558 | 18,090 | - | - |
| TANF- Work First Admin | 93.558 | 161,554 | - | 128,229 |
| TANF- Work First Service | 93.558 | 975,500 | - | 1,094,231 |
| TANF - Work First Demonstration Grant | 93.558 | 703,767 | - | - |
| TANF- Payments & Penalties | 93.558 | 831,430 | - | - |
| TANF- Special Children Adoption | 93.558 | 15,000 | - | - |
| AFDC Payments & Penalties | 93.560 | (333) | (91) | (91) |
| Crisis Intervention Payments | 93.568 | 462,113 | - | - |
| Low Income Energy Administration | 93.568 | 54,391 | - | - |
| Energy Assistance Payment | 93.568 | 297,184 | - | 99 |
| Refugee Assistance Payment | 93.566 | 27,185 | - | - |
| Permanency Planning - Regular | 93.645 | 27,135 | 9,045 | - |
| Permanency Planning - Spec | 93.645 | 8,055 | - | 2,685 |
| NC Health Choice | 93.767 | 12,891 | 3,059 | 1,229 |
| Independent Living - LINKS | 93.674 | 23,563 | - | - |
| Links | 93.674 | 23,688 | 5,922 | - |
| IV-D Administration | 93.563 | 869,745 | - | 448,050 |
| IV-D Offset Fees - Esc | 93.563 | 243 | 2 | 123 |
| IV-D Offset Fees - Federal | 93.563 | 4,508 | - | 2,322 |
| Foster Care and Adoption Cluster: | | | | |
| IV-E CPS | 93.658 | 383,121 | 145,143 | 237,979 |
| IV-E Foster Care/OErTm | 93.658 | 5,695 | - | 1,898 |
| IV-E Foster Care/ Off Trn | 93.658 | 419,952 | - | 419,952 |
| IV-E Admin County Paid to CCI | 93.658 | 17,761 | 8,880 | 8,880 |
| IV-E Family Foster Max | 93.658 | 3,586 | (314) | 1,793 |
| IV-E Foster Care | 93.658 | 191,450 | 36,091 | 49,153 |
| Foster Care | 93.658 | 418,144 | - | 56,029 |
| IV-E Foster Care in Excess | 93.658 | 73,846 | 6,544 | 25,334 |
| IV-E Max Level III | 93.658 | 8,752 | (761) | 4,376 |
| IV-E Optional Adoption | 93.659 | 29,107 | - | 29,107 |
| IV-E Adopt Guardianship | 93.659 | 9,005 | - | 3,002 |
| IV-E Adopt Subsidy &Vendor | 93.659 | 545,085 | 101,558 | 139,974 |
| IV-E Adoption Training | 93.659 | 5,291 | - | 1,764 |
| Total Foster Care and Adoption Cluster | | 2,110,795 | 297,141 | 979,241 |
| Total Division of Social Services | | 7,011,500 | 352,499 | 2,771,721 |
| Total U. S. Department of Health and Human Services | | 77,822,197 | 25,082,271 | 8,761,842 |

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2009

| Federal Grantor/Program Title | CFDA Number/ Grant Number | Federal Expenditures | State Expenditures | Local Expenditures |
|---|------------------------------|-------------------------|-----------------------|-----------------------|
| Corporation for National and Community Service: | | | | |
| Direct Programs: | | | | |
| Aging Action Retired Senior Volunteer Program | 94.002 | \$ 59,198 | \$ - | \$ 113,586 |
| 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 | 41,825 | - | - |
| Election Assistance Commission | | | | |
| Passed-Through N. C. State Board of Elections Help America Vote Act Grant | 90.401 | 121,338 | - | - |
| Total Federal awards | | 96,540,161 | 25,082,271 | 9,884,872 |
| State Awards: | | | | |
| N. C. Department of Health and Human Services: | | | | |
| Division of Social Services: | | | | |
| AFDC Incent/Prog Integrity | | - | 49 | - |
| TANF Incent/Prog Integrity | | - | 674 | - |
| CWS Adopt Subsidy & Vendor | | - | 199,431 | 51,221 |
| State/County Special Assistance Domiciliary Care Payment | | - | 836,965 | 836,965 |
| F/C at risk maximization | | - | 9,584 | 5,277 |
| State Foster Home | | - | 154,315 | 154,314 |
| Foster Care Special Provision | | - | 45,195 | - |
| CPS-Early Childhood Initiative | | - | 43,375 | - |
| CPS Expansion - State | | - | 55,894 | - |
| SFHS Maximization | | - | 39,351 | 39,351 |
| State Aid to Counties | | - | 58,851 | - |
| Total Division of Social Services | | - | 1,443,684 | 1,087,128 |
| Office of Juvenile Justice: | | | | |
| Community Based Alternatives | 536920 | - | 272,705 | - |
| Division of Child Health: | | | | |
| Smart Start | | - | 74,165 | - |
| Division of Public Health: | | | | |
| General | | - | 150,654 | 893,480 |
| Preparedness and Response | | - | 38,836 | 230,324 |
| Women's Preventative Health | | - | 3,396 | 20,141 |
| Minority Health | | - | 30,180 | 178,988 |
| Communicable Disease | | - | 3,708 | 21,991 |
| State Initiative/Health and Wellness | | - | 52,485 | - |
| Tuberculosis | | - | 12,995 | 77,069 |
| Risk Reduction/Health Promotion | | - | 8,290 | 49,165 |
| Adolescent Parenting | | - | (1,845) | (10,942) |
| TB Medical Services | | - | 1,776 | 10,533 |
| Healthy Carolinians | | - | 5,727 | 33,965 |
| Total Division of Public Health | | - | 306,202 | 1,504,714 |
| Total N. C. Department of Health and Human Services | | - | 2,096,756 | 2,591,842 |

(Continued)

Orange County, North Carolina

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2009

| Federal Grantor/Program Title | CFDA Number/ Grant Number | Federal Expenditures | State Expenditures | Local Expenditures |
|---|------------------------------|-------------------------|-----------------------|-----------------------|
| N. C. Department of Transportation: | | | | |
| Rural Operating Assistance Program Cluster | | \$ - | \$ 199,935 | \$ - |
| Human Service Transportation Management Program | | - | 147,341 | - |
| Safe Roads Act | | - | 10,257 | - |
| Rural Public Transport | | - | 84,314 | - |
| NC Matching Grant | | - | 10,593 | - |
| Total N. C. Department of Transportation | | - | 452,440 | - |
| N. C. Department of Cultural Resources: | | | | |
| State Arts Grant | 0010410 | - | 39,492 | - |
| Division of State Library: | | | | |
| Passed-Through Hyconeechee Regional Library: | | | | |
| State Aid to Public Libraries | | - | 121,105 | 1,232,469 |
| Historic Preservation Grant | | - | 3,000 | - |
| Total N. C. Department of Cultural Resources | | - | 163,597 | 1,232,469 |
| N. C. Department of Corrections | | | | |
| Criminal Justice Partnership | | - | 191,210 | - |
| N. C. Department of Crime Control and Public Safety: | | | | |
| Bioterrorism State Funds | 536961: 4514-4517 | - | 54,309 | - |
| Governor's Crime Commission | | - | - | - |
| Total N. C. Department of Crime Control and Public Safety | | - | 54,309 | - |
| N.C. Department of Environment and Natural Resources | | | | |
| Parks and Recreation Trust Fund | | - | 306,219 | - |
| N. C. Department of Public Instruction: | | | | |
| Public School Building Capital Fund | | - | 3,015,953 | - |
| N.C. Department of Environment and Natural Resources | | | | |
| NC Water Quality Grant | | - | 7,010 | - |
| N.C. Department of Agriculture and Consumer Services | | | | |
| Agricultural Development and Farmland Preservation Trust Fund Grant | | - | 25,000 | - |
| N.C. Department of Insurance | | | | |
| SHIIP Funds | | - | 4,200 | - |
| N.C. Health and Wellness Trust Fund | | | | |
| Growing Healthy Kids Grant Program | | - | 11,732 | - |
| Total State awards | | - | 6,328,426 | 3,824,311 |
| Total Federal and State Awards | | \$ 96,540,161 | \$ 31,410,697 | \$ 13,709,183 |

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

Orange County, North Carolina

Notes 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. Direct benefit payments are paid directly to recipients and are not shown in the County's general purpose financial statements.

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

Note 2. Subrecipients

Of the federal and State expenditures presented in the schedule, the County provided federal and state awards to subrecipients as follows:

| Federal Grantor/Program Title | CFDA Number/ Grant Number | Federal Expenditures | State Expenditures | Local Expenditures |
|--|------------------------------|-------------------------|-----------------------|-----------------------|
| Criminal Justice Partnership: | | | | |
| Freedom House | | \$ - | \$ 183,614 | \$ - |
| Juvenile Crime Prevention Council: | | | | |
| Mental Health Association in Orange County | | \$ - | \$ 37,850 | \$ - |
| Orange County JCPC | | - | 13,638 | - |
| Volunteers for Youth | | - | 91,121 | - |
| Hillcrest Youth Shelter | | - | 10,000 | - |
| Orange County Dispute Settlement | | - | 49,200 | - |
| Orange County Partnership for Children | | - | 15,416 | - |
| Administrative Office of the Courts | | - | 7,194 | - |
| Volunteers for Youth - Tee | | - | 33,850 | - |
| Chapel-Carrboro YMCA-Boomerang | | - | 21,810 | - |
| Volunteers for Youth - Wor | | - | 7,160 | - |
| Total Juvenile Crime Prevention Council | | \$ - | \$ 287,239 | \$ - |