

Comprehensive Annual Financial Report

Year Ended June 30, 2004



Barry Jacobs
Chair, Board of County Commissioners

John M. Link, Jr.
County Manager

Kenneth T. Chavious
Finance Director

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October 29, 2004

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

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, I hereby issue the comprehensive annual financial report (CAFR) of Orange County for the fiscal year ended June 30, 2004.

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

The County's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. This opinion can be found at the beginning of the financial section of this document. In addition to the independent audit of the financial statements, the County is required to undergo an annual "Single Audit" designed to meet the special needs of federal grantor agencies. Information regarding this audit is submitted as a separate report that includes the schedules of financial assistance and findings and questioned costs and the independent auditors' reports on the internal control structure and on compliance.

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

COUNTY PROFILE

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

The economy of the County 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 economy. The University of North Carolina at Chapel Hill and UNC Hospitals are the largest employers in the County, providing just over 23,000 jobs. These institutions contribute significantly to the low unemployment rate in the County. The County's unemployment rate has been consistently below State and National rates over the last ten years. This trend continued during the current year in which the County rate as of June 2004 was 3.0% while the State and National rates were both 5.8%, respectively.

Orange County's stable economy continued to add jobs and economic opportunities for our citizens in the 2003-2004 fiscal year. Most new businesses are small, which diversifies the economy and lessens the reliance on a few major employers. The overall county vacancy rate for commercial buildings was below 7 percent in June 2004.

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

Fiscal Outlook. Reflective of previous fiscal years, the County will continue its traditional commitment to public schools earmarking nearly one-half of the County's 2004-2005 General Fund Budget of \$136 million for education. One of the most compelling issues addressed by the County Commissioners during the 2003-2004 fiscal year was examining the potential impacts of merging the two School Districts within the County. While the merger of the schools is not currently being pursued the Board decided to focus on three areas related to School District's operations that include:

- Collaboration between the two systems – Facilitated discussions are being held between both School and County officials to review areas for the potential collaborative efforts to balance opportunities for students in both systems.
- Educational excellence - A study of each school system's resources will be conducted by the University of North Carolina Department of Education that will investigate resources available in both school systems and make recommendations for improvement and how these resources could become equally accessible to all County students.
- School Efficiency Study – The County plans to hire a consultant to review expenditures related to day to day operations in each schools systems with the desired outcome of the identification of possible savings from operational efficiencies that could be implemented by both systems.

In the Capital Improvement area, future sales of the 2001 voter approved bonds in the upcoming fiscal years will provide funds to complete the construction of 2 new schools. County facilities will be developed as well, including purchase parkland and open space and the provision of affordable housing opportunities for County Citizens. The County also plans to use bonds and alternative financing sources to provide funding for conservation easements, a satellite Community College Campus and 2 senior centers.

A new initiative in the Solid Waste Management area will be implemented in the 2004-2005 fiscal year. The Board of Commissioners adopted a waste reduction, reuse and recycling fee structure, known as the 3 R fee, to help fund the cost of the County's award winning recycling program. This new fee will eliminate the reliance on the landfill tipping fees to fully fund solid waste operations and serve to enhance the overall financial condition of the landfill enterprise fund.

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

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

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

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

Key Financial Ratios Compared to Policy Targets

	Policy Target	30-Jun-00	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04
Net Debt as a Percentage of Assessed Value	3.0%	1.7%	1.7%	1.5%	1.6%	1.4%
Debt Service as a Percent of Expenditures	15.0%	10.4%	12.2%	13.2%	13.5%	13.0%
Undesignated Fund Balance as a percent of General Fund Expenditures	8.0%	12.2%	13.5%	10.0%	10.3%	8.5%

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Orange County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This marks the twenty-second 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 2003 annual budget document. This is the 13th 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 2004 budget continues to conform to program requirements and is submitting it to the GFOA to determine eligibility for another award.

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

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

Respectfully submitted,

Kenneth T. Chavious
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.

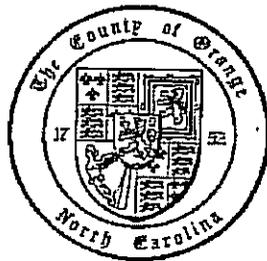


President

Executive Director

Board of County Commissioners

June 30, 2004



Barry Jacobs, Chair

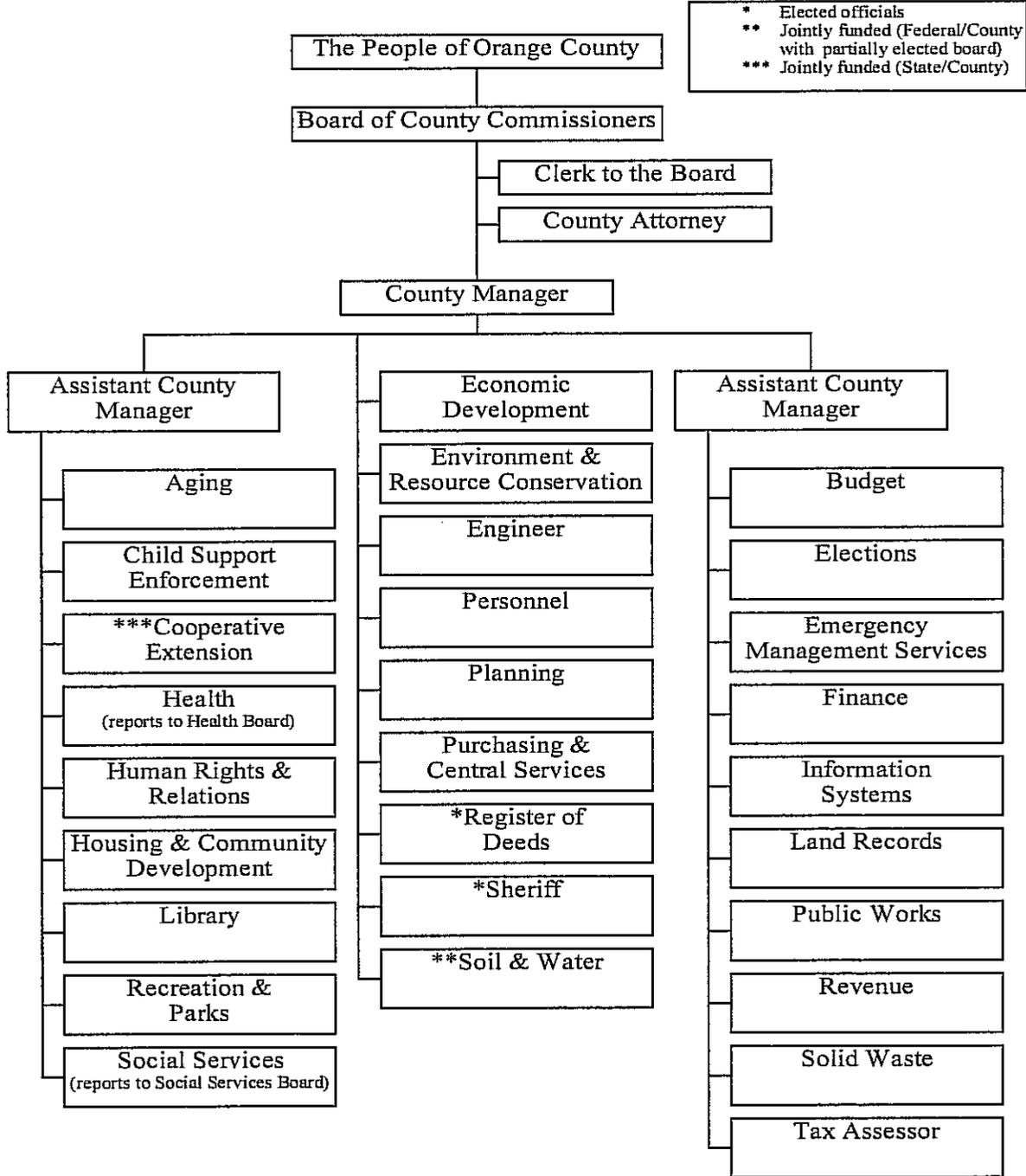
Margaret W. Brown, Vice Chair

Moses Carey, Jr.

Alice M. Gordon

Stephen H. Halkiotis

Orange County Government



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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Orange County, North Carolina "the County", as of and for the year ended June 30, 2004, 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 basic financial statements based on our audit. We did not audit the financial statements of the Orange County ABC Board "the Board". Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Board is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and the impact fee fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

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

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

Raleigh, North Carolina
October 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The County, we offer readers of Orange County's (the "County") financial statements this narrative overview and analysis of the financial activities of The County for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

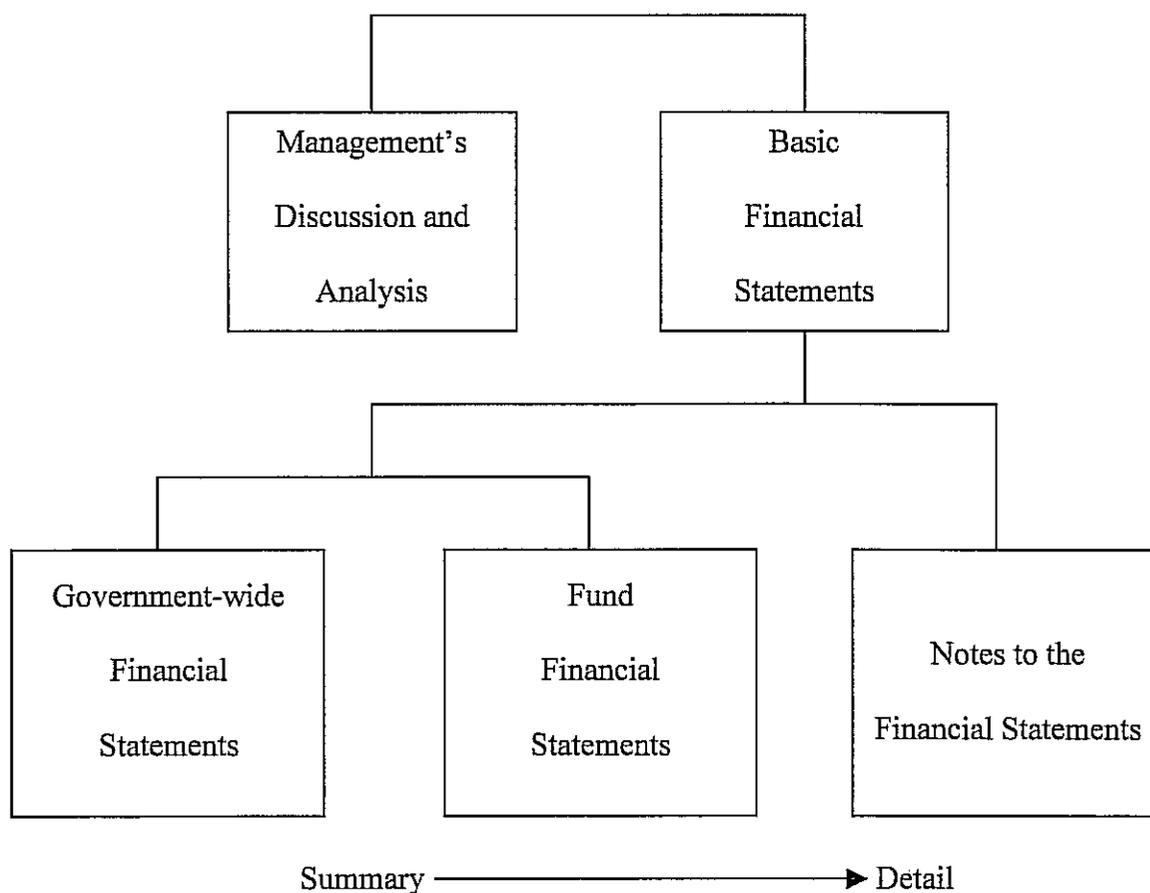
- The liabilities of the County exceeded its assets at the close of the fiscal year by \$(67,641,334) (*net assets*). In accordance with North Carolina law, liabilities of the County include approximately \$104 million in long-term debt associated with assets belonging to the Orange County Board of Education and the Chapel Hill-Carrboro City Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a net deficit in net assets.
- The government's total net assets decreased by \$9,582,099, primarily due to increased spending in education, human services and public works.
- As of the close of the current fiscal year, The County's governmental funds reported combined ending fund balances of \$35,203,717 a decrease of (\$18,675,199) in comparison with the prior year. This decrease results mainly from the expenditure of approximately \$15 million in bond proceeds that were in fund balance at the end of the prior year. Approximately 69 percent of the ending fund balance or \$24,363,575 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$12,593,843 or 10 percent of total general fund expenditures for the fiscal year. Of this amount, \$1,714,451 has been designated for subsequent year expenditures bringing the undesignated general fund balance to \$10,879,392 or 8.5 % of general fund expenditures.
- The County's total debt decreased by \$9,273,469 during the current fiscal year. The County only issued \$992,094 in new debt yet retired \$10,574,287 in existing debt during the year.
- The County maintained its AAA (Fitch IBCA), Aa1 (Moody's Investor Services) and AA+ (Standard&Poor's) bond rating for the 7th consecutive year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to The County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of The County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 – 57 of this report.

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

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2004, continues a new era in financial reporting for The County, and many other units of government across the United States. Prior to last fiscal year, The County maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of The County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

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

The County's Net Assets

Figure 2

ORANGE COUNTY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 43,322,858	\$ 61,315,248	\$ 4,069,555	\$ 4,405,369	\$ 47,392,413	\$ 47,728,227
Capital assets	31,729,589	31,169,768	7,743,102	8,093,155	39,472,691	39,262,923
Total assets	<u>75,052,447</u>	<u>92,485,016</u>	<u>11,812,657</u>	<u>12,498,524</u>	<u>86,865,104</u>	<u>86,991,150</u>
Long-term liabilities outstanding	140,350,461	150,124,997	6,116,130	5,615,063	146,466,591	155,740,060
Other liabilities	7,795,572	8,236,389	243,775	342,349	8,039,347	8,578,738
Total liabilities	<u>148,146,033</u>	<u>158,361,386</u>	<u>6,360,405</u>	<u>5,957,412</u>	<u>154,506,438</u>	<u>164,318,798</u>
Net assets:						
Invested in capital assets, net of related debt	6,033,496	3,363,763	6,034,422	6,728,112	12,067,918	10,091,875
Restricted	500,511	21,514,433	-	-	500,511	21,514,433
Unrestricted	(79,627,593)	(90,754,566)	(582,170)	(187,000)	(80,209,763)	(90,941,566)
Total net assets	<u>\$ (73,093,586)</u>	<u>\$ (65,876,370)</u>	<u>\$ 5,452,252</u>	<u>\$ 6,541,112</u>	<u>\$ (67,641,334)</u>	<u>\$ (59,335,258)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of The County exceeded assets by \$67,641,334 as of June 30, 2004. Net assets is reported in three categories: Invested in capital assets, net of related debt of \$12,067,918, Restricted net assets of \$500,511 and Unrestricted net assets (\$80,209,763).

The invested in capital assets, net of related debt category is defined as the County's investment in County owned capital assets (e.g. land, buildings, automotive equipment, office and other equipment, and sewer lines), less any related debt still outstanding that was issued to acquire those items. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. At June 30, 2004, the increase in this category of net assets is due to current year additions to capital assets being more than offset by current year depreciation expense and new long-term debt issuances.

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

The final category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2004, the total net deficit reported of \$67,641,334 is primarily attributable to the unrestricted net deficit balance of \$80,209,763.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the two school systems located within the County. Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$104 million of the outstanding general obligation debt on the County's financial statements was related to assets included in the school system's financial statements. However, since the majority of this school system related debt is general obligation debt, it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The decline in total net assets and the impact of the inclusion of the school system debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.7%, higher than the statewide average of 96.4%.
- Expenditure of approximately \$21 million in bond proceeds and other capital funds to complete construction of a new elementary school which opened during the year, as well as, completion of major renovations to County facilities. In addition these funds were used to purchase parkland, preserve open space and purchase conservation easements.
- The County funded several operational initiatives that included implementation of new business system software, opening of a new branch library and implementation of a new pay and classification plan for County employees.

The County Changes in Net Assets
Figure 3

ORANGE COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 10,747,239	\$ 10,409,508	\$ 4,428,918	\$ 4,633,446	\$ 15,176,157	\$ 15,042,954
Operating grants and contributions	19,304,008	19,075,713	191,750	299,083	19,495,758	19,374,796
Capital grants and contributions	60,068	-	-	-	60,068	-
General revenues:						
Property taxes	84,879,390	80,396,482	-	-	84,879,390	80,396,482
Other taxes	19,138,144	16,555,551	-	-	19,138,144	16,555,551
Other	2,446,239	2,963,720	30,379	39,708	2,476,618	3,003,428
Total revenues	<u>136,575,088</u>	<u>129,400,974</u>	<u>4,651,047</u>	<u>4,972,237</u>	<u>141,226,135</u>	<u>134,373,211</u>
Expenses:						
General administration	11,581,882	8,667,437	-	-	11,581,882	8,667,437
Taxation and records	2,729,538	2,589,642	-	-	2,729,538	2,589,642
Community planning	2,992,457	2,566,283	-	-	2,992,457	2,566,283
Community maintenance	6,901,469	6,491,775	-	-	6,901,469	6,491,775
Human services	31,458,600	28,828,655	-	-	31,458,600	28,828,655
Education	61,463,034	62,967,519	-	-	61,463,034	62,967,519
Public safety	15,781,817	14,462,403	-	-	15,781,817	14,462,403
Public works	5,439,409	5,925,097	-	-	5,439,409	5,925,097
Interest on long-term debt	6,766,691	6,480,482	-	-	6,766,691	6,480,482
Landfill	-	-	5,456,187	4,722,846	5,456,187	4,722,846
Sewer	-	-	237,150	921,655	237,150	921,655
Total expenses	<u>145,114,897</u>	<u>138,979,293</u>	<u>5,693,337</u>	<u>5,644,501</u>	<u>150,808,234</u>	<u>144,623,794</u>
Increase in net assets before transfers	(8,539,809)	(9,578,319)	(1,042,290)	(672,264)	(9,582,099)	(10,250,583)
Transfers	46,570	115,009	(46,570)	(115,009)	-	-
Increase in net assets	<u>(8,493,239)</u>	<u>(9,463,310)</u>	<u>(1,088,860)</u>	<u>(787,273)</u>	<u>(9,582,099)</u>	<u>(10,250,583)</u>
Net assets, July 1, as previously reported	(65,876,370)	(56,413,060)	6,541,112	7,771,998	(59,335,258)	(48,641,062)
Prior period adjustment	1,276,023	-	-	(443,613)	1,276,023	(443,613)
Net assets, July 1, as restated	<u>(64,600,347)</u>	<u>(56,413,060)</u>	<u>6,541,112</u>	<u>7,328,385</u>	<u>(58,059,235)</u>	<u>(49,084,675)</u>
Net assets, June 30	<u>\$ (73,093,586)</u>	<u>\$ (65,876,370)</u>	<u>\$ 5,452,252</u>	<u>\$ 6,541,112</u>	<u>\$ (67,641,334)</u>	<u>\$ (59,335,258)</u>

Governmental activities. Governmental activities decreased the County's net assets by \$8,493,239 or 88.6% of the total decrease in the net assets of the County. Key elements of this decrease are as follows:

- County's continued commitment to fund operations, short and long range needs, and the debt service obligations of the two school systems.
- Increased expenditures in Human Services related to the County's required contribution to Medicaid Programs and other initiatives in the departments of Health and Social Services.
- Increased expenditures in Public Safety related to Emergency Medical Transportation services and Law enforcement initiatives in the Sheriff's Department.
- Increases are also noted in most other County departments resulting from the implementation of a new pay and classification plan for County employees.
- These decreases were offset by a \$4.5 million increase in Property taxes due to upward adjustments to property valuations and a tax rate increase of 1.5 cent. In addition, a \$2.6 million increase in the other taxes category resulted mainly from increased sales tax revenue.

Business-type activities: Business-type activities decreased the County's net assets by \$1.1 million, adding to the decrease reflected in governmental activities by 13.1%. The majority of the decrease is the result of increased costs in Landfill operations related to the acquisition of large equipment items as well as costs associated with the pay plan implementation mentioned above.

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, unreserved fund balance of the General Fund was \$12,593,843, while total fund balance reached \$20,956,023. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 9.6 percent of total General Fund expenditures and transfers, while total fund balance represents 16.2 percent of that same amount.

At June 30, 2004, the governmental funds of the County reported a combined fund balance of \$35,203,717, a 33 percent decrease from last year. This decrease can be attributed mainly to the expenditure of approximately \$21 million in capital project funds for both school and County facilities and land acquisition.

General Fund Budgetary Highlights:

During the 2004 budget year, the County had several noteworthy operational milestones in the area of general fund operations. The most significant included addition a new inspectors in the Planning and Inspections department to help with the back log of building inspections and enhance customer service, the addition a new branch library and the opening of a new elementary school in the Chapel Hill School District.

The County's annual contribution to public schools again placed the County, by a wide margin, at the top of the rankings per pupil in expenditures among North Carolina's 100 counties. The County and Chapel Hill- Carrboro City Schools continued to use these funds very effectively, compiling overall impressive results in student achievement test and solidifying the reputations of both systems as excellent learning environments for young people. In fiscal year 2004, the county's contribution to education funding, including operations, short and long range capital needs and debt service obligations, totaled \$62.5 million or 48.4% of the total general fund expenditures for the year.

The County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and expenditures by \$2.6 million.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Landfill Fund at the end of the fiscal year amounted to (\$455,597) and those for the Efland Sewer Fund equaled (\$126,573). The total growth (decline) in net assets for both funds was (\$1,039,687) and (\$49,173) respectively. The primary factor affecting the growth in the Solid Waste Landfill Fund was addressed in the discussion of the County's business-type activities.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals 39,472,691 (net of accumulated depreciation). These assets include Land, buildings, automotive equipment, office and other equipment, and sewer lines.

Major capital asset transactions during the year include:

- Purchased various office equipment for day-to-day operations.
- Purchased Landfill equipment.
- Completed major renovation to County facilities.

The County's Capital Assets
Figure 4

ORANGE COUNTY'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 8,628,995	\$ 1,301,800	\$ 9,930,795
Land Improvements	-	414,113	414,113
Water Resources - Lake Orange	481,624	-	481,624
Buildings	12,983,608	717,813	13,701,421
Water Lines	-	-	-
Sewer Lines	-	928,431	928,431
Automotive equipment	1,240,242	-	1,240,242
Office and other equipment	901,672	2,585,315	3,486,987
Equipment under capital lease	-	-	-
Construction in progress	7,493,448	1,795,630	9,289,078
Total	\$ 31,729,589	\$ 7,743,102	\$ 39,472,691

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

Long-term Debt. As of June 30, 2004, The County had total bonded debt outstanding of \$107,585,000 all of which is debt backed by the full faith and credit of the County. In addition to a small capital lease, the County has several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

General Obligation, Capital Leases and Installment Notes Payable
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 107,585,000	\$ 113,935,000	\$ -	\$ -	\$ 107,585,000	\$ 113,935,000
Obligations under capital leases	378,758	5,776	613,794	-	992,552	5,776
Installment note payable	28,610,895	32,559,707	1,094,886	1,365,043	29,705,781	33,924,750
Bond issuance items, net	638,921	864,833	-	-	638,921	864,833
Accrued compensated absences	2,621,231	2,271,231	135,204	104,888	2,756,435	2,376,119
Separation allowance	515,656	488,450	-	-	515,656	488,450
Post closing liability	-	-	4,272,246	4,145,132	4,272,246	4,145,132
Total long-term debt	\$ 140,350,461	\$ 150,124,997	\$ 6,116,130	\$ 5,615,063	\$ 146,466,591	\$ 155,740,060

The County's total debt decreased by \$9,273,469 or 5.9 % during the past fiscal year. The decrease is due to mainly to retirement of bonds and installment notes payable. In addition, the County did not issue additional bonds during the year. Obligations under capital lease increased due to the purchase acquisition of landfill equipment and funds for the purchase ambulances.

The County's most recent bond ratings, received in connection with the general obligation issue in July of 2004, are shown below:

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

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for The County is \$642,239,916. The County has \$55,825,000 in bonds authorized but un-issued at June 30, 2004.

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: The County has approved a \$136.4 million general fund budget for fiscal year 2005 which represents a \$7.5 million or 5.8% increase over fiscal year 2004. This will be accomplished by a 3.5 percent increase in the property tax rate (from 84.5 cents per \$100 of assessed valuation to 88 cents). It is expected that the majority of this increase will be used to pay debt service on bonds. Additionally, the County intends to sell the 2001 voter approved bonds to finance the construction of a new High school, purchase park land and provide affordable housing to County citizens.

Budgeted expenditures for education are expected to increase \$2.1 million or 5 in the appropriation for current expense which will increase the per pupil allocation by 57 to \$2,623. In addition, the County has assumed operating responsibility for the Animal Shelter and the 2004-2005 budget includes funding the additional funding required.

Business – type Activities: The County has implemented a new fee to help fund the aggressive recycling program in the Solid Waste Enterprise fund. This new fee, waste reduction, reuse and recycling fee, known as the 3R fee, is expected to generate approximately \$3 million in 2004-2005. There were no budgeted increases in tipping fees in the solid waste fund for mixed solid waste or construction and demolition materials.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, The County, 208 South Cameron Street, P.O. Box 8181, Hillsborough, NC 27278.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Orange County ABC Board	Total Reporting Unit
Assets					
Cash and investments	\$ 33,082,027	\$ 3,892,263	\$ 36,974,290	\$ 827,751	\$ 37,802,041
Receivables - property taxes, net	1,626,960	-	1,626,960	-	1,626,960
Receivables - federal intergovernmental	642,482	-	642,482	-	642,482
Receivables - state intergovernmental	7,082,139	40,596	7,122,735	-	7,122,735
Receivables - other	599,872	339,679	939,551	-	939,551
Inventories	83,803	-	83,803	993,903	1,077,706
Internal balances	202,983	(202,983)	-	-	-
Due from other governments	2,593	-	2,593	-	2,593
Capital assets:					
Nondepreciable	16,604,067	3,097,430	19,701,497	233,696	19,935,193
Depreciable	15,125,522	4,645,672	19,771,194	911,410	20,682,604
Other assets	-	-	-	48,587	48,587
Total assets	<u>75,052,448</u>	<u>11,812,657</u>	<u>86,865,105</u>	<u>3,015,347</u>	<u>89,880,452</u>
Liabilities					
Accounts payable	3,878,517	196,439	4,074,956	628,628	4,703,584
Payroll withholdings	898,281	46,840	945,121	-	945,121
Accrued liabilities	2,013,400	996	2,014,396	-	2,014,396
Trust accounts	144,064	-	144,064	-	144,064
Unearned revenues	861,310	-	861,310	-	861,310
Long-term liabilities:					
Due in less than one year	11,575,876	409,502	11,985,378	-	11,985,378
Due in more than one year	128,774,585	5,706,628	134,481,213	-	134,481,213
Total liabilities	<u>148,146,033</u>	<u>6,360,405</u>	<u>154,506,438</u>	<u>628,628</u>	<u>155,135,066</u>
Net assets					
Invested in capital assets net of related debt	6,033,496	6,034,422	12,067,918	-	12,067,918
Restricted - capital projects	500,511	-	500,511	-	500,511
Unrestricted	(79,627,592)	(582,170)	(80,209,762)	2,386,719	(77,823,043)
Total net assets	<u>\$ (73,093,585)</u>	<u>\$ 5,452,252</u>	<u>\$ (67,641,333)</u>	<u>\$ 2,386,719</u>	<u>\$ (65,254,614)</u>

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues			Primary Government			Component			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Units	Reporting Unit	Unit
Primary government:										
Governmental activities:										
General administration	\$ 11,581,882	\$ 1,733,491	\$ 530,329	\$ -	\$ (9,318,062)	\$ -	\$ (9,318,062)	\$ -	\$ -	\$ (9,318,062)
Taxes and records	2,729,538	859,883	-	-	(1,869,655)	-	(1,869,655)	-	-	(1,869,655)
Community planning	2,992,457	-	-	-	(2,992,457)	-	(2,992,457)	-	-	(2,992,457)
Human services	6,901,469	1,142,372	51,010	-	(5,708,087)	-	(5,708,087)	-	-	(5,708,087)
Education	31,458,600	1,488,259	16,964,141	-	(13,006,200)	-	(13,006,200)	-	-	(13,006,200)
Public safety	61,463,034	2,689,064	940,516	-	(57,833,454)	-	(57,833,454)	-	-	(57,833,454)
Public works	15,781,817	2,778,314	758,501	-	(12,245,002)	-	(12,245,002)	-	-	(12,245,002)
Interest on long-term debt	5,439,109	55,856	59,511	60,068	(5,263,974)	-	(5,263,974)	-	-	(5,263,974)
Total governmental activities	6,766,691	10,747,239	19,304,008	60,068	(115,003,582)	-	(115,003,582)	-	-	(115,003,582)
Business-type activities:										
Landfill	5,456,187	4,379,092	191,750	-	(885,345)	-	(885,345)	-	-	(885,345)
Sewer	237,150	49,826	-	-	(187,324)	-	(187,324)	-	-	(187,324)
Total business-type activities	5,693,337	4,428,918	191,750	-	(1,072,669)	-	(1,072,669)	-	-	(1,072,669)
Total primary government	\$ 150,808,234	\$ 15,176,157	\$ 19,495,758	\$ 60,068	\$ (115,003,582)	\$ (1,072,669)	\$ (116,076,251)	-	-	\$ (116,076,251)
Component unit:										
ABC Board	\$ 7,567,934	\$ 7,749,374	\$ -	\$ -	\$ -	\$ -	\$ -	181,440	-	181,440
Total component unit	\$ 7,567,934	\$ 7,749,374	\$ -	\$ -	\$ -	\$ -	\$ -	181,440	-	181,440
General revenues:										
Property taxes					84,879,390	-	84,879,390	-	-	84,879,390
Other taxes					19,138,144	-	19,138,144	-	-	19,138,144
Unrestricted investment earnings					397,438	28,833	426,271	5,033	-	431,304
Miscellaneous					2,048,802	1,546	2,050,348	1,985	-	2,052,333
Transfers					46,570	(46,570)	-	-	-	-
Total general revenues and transfers					106,510,344	(16,191)	106,494,153	7,018	-	106,501,171
Change in net assets					(8,493,238)	(1,088,860)	(9,582,098)	188,458	-	(9,393,640)
Net assets - beginning, as previously reported					(65,876,370)	6,541,112	(59,335,258)	2,198,261	-	(57,136,997)
Prior period adjustment					1,276,023	-	1,276,023	-	-	1,276,023
Net assets - beginning, as restated					(64,600,347)	6,541,112	(58,059,235)	2,198,261	-	(55,860,974)
Net assets - ending					\$ (73,093,585)	\$ 5,452,252	\$ (67,641,333)	\$ 2,386,719	\$ -	\$ (65,254,614)

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

ORANGE COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

ASSETS						
	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Cash and investments	\$ 17,969,077	\$ 3,718,401	\$ 7,886,052	\$ 37,499	\$ 3,290,269	\$ 32,901,298
Accounts receivable - property taxes, net	1,568,071	-	-	-	58,889	1,626,960
Accounts receivable - federal	389,948	-	-	-	252,534	642,482
Accounts receivable - state	7,031,807	-	12,170	-	38,162	7,082,139
Accounts receivable - assessments	-	-	-	-	-	-
Accounts receivable - other	144,191	302,733	-	-	152,948	599,872
Inventories	83,803	-	-	-	-	83,803
Due from other funds	281,064	-	66,983	-	-	348,047
Due from other governments	2,593	-	-	-	-	2,593
TOTAL ASSETS	\$ 27,470,554	\$ 4,021,134	\$ 7,965,205	\$ 37,499	\$ 3,792,802	\$ 43,287,194
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,534,721	\$ -	\$ 293,897	\$ 778,665	\$ 255,322	\$ 3,862,605
Payroll withholdings	861,172	-	-	-	37,109	898,281
Accrued liabilities	345,416	-	-	-	-	345,416
Trust accounts	144,064	-	-	-	-	144,064
Due to other funds	-	-	-	-	145,064	145,064
Deferred revenue	2,629,158	-	-	-	58,889	2,688,047
Total liabilities	6,514,531	-	293,897	778,665	496,384	8,083,477
Fund balances						
Reserved for inventories	83,803	-	-	-	-	83,803
Reserved for encumbrances	628,551	-	1,557,891	-	94,541	2,280,983
Reserved for State statute	7,649,826	302,733	79,153	-	443,644	8,475,356
Unreserved:						
Designated for subsequent years expenditures	1,714,451	-	-	(741,166)	174,943	1,148,228
Undesignated	10,879,392	3,718,401	6,034,264	-	-	20,632,057
Reported in nonmajor:						
Special revenue	-	-	-	-	2,583,290	2,583,290
Total fund balances	20,956,023	4,021,134	7,671,308	(741,166)	3,296,418	35,203,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,470,554	\$ 4,021,134	\$ 7,965,205	\$ 37,499	\$ 3,792,802	\$ 43,287,194

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

ORANGE COUNTY, NORTH CAROLINA
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2004

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

Ending fund balance - governmental funds	\$ 35,203,717
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,729,589
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,826,737
Accrued liabilities that do not pay for current financial obligations are not recorded in the governmental funds. This is the amount of accrued interest on long-term debt.	(1,486,163)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount of the liabilities recorded from the cost to issue debt.	(133,717)
Internal service funds are used by management to charge the costs of dental insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	116,713
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(140,350,461)</u>
Net assets of governmental activities	<u>\$ (73,093,585)</u>

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Impact Fee	County Capital Improvements	School Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 101,467,392	\$ -	\$ -	\$ -	\$ 2,526,772	\$ 103,994,164
Intergovernmental revenues	13,443,588	-	369,912	-	5,550,576	19,364,076
Charges for services	6,455,916	-	-	-	241,875	6,697,791
Investment earnings	221,670	61,761	63,555	26,927	22,230	396,143
Licenses and permits	1,360,384	-	-	-	-	1,360,384
Impact fees	-	2,689,064	-	-	-	2,689,064
Miscellaneous	1,057,042	-	328,946	-	662,814	2,048,802
Total revenues	<u>124,005,992</u>	<u>2,750,825</u>	<u>762,413</u>	<u>26,927</u>	<u>9,004,267</u>	<u>136,550,424</u>
Expenditures						
Current:						
General administration	7,567,223	-	-	-	-	7,567,223
Taxes and records	2,697,884	-	-	-	-	2,697,884
Community planning	2,912,556	-	-	-	-	2,912,556
Community maintenance	1,185,798	-	-	-	5,615,927	6,801,725
Human services	30,371,568	-	-	-	6,078	30,377,646
Education	46,461,682	-	-	-	-	46,461,682
Public safety	12,713,521	-	-	-	2,806,820	15,520,341
Public works	4,311,461	-	-	-	1,037,243	5,348,704
Capital outlay	-	-	5,902,174	15,001,352	-	20,903,526
Principal	10,049,352	-	227,050	-	-	10,276,402
Interest and fees	6,766,805	-	13,998	-	-	6,780,803
Issue costs	-	-	-	2,000	-	2,000
Total expenditures	<u>125,037,850</u>	<u>-</u>	<u>6,143,222</u>	<u>15,003,352</u>	<u>9,466,068</u>	<u>155,650,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,031,858)</u>	<u>2,750,825</u>	<u>(5,380,809)</u>	<u>(14,976,425)</u>	<u>(461,801)</u>	<u>(19,100,068)</u>
Other financing sources (uses)						
Installment loans issuance	-	-	378,300	-	-	378,300
Transfers in	2,975,167	-	1,978,943	6,440,504	370,057	11,764,671
Transfers out	(4,231,481)	(5,789,023)	(1,304,095)	(328,502)	(65,000)	(11,718,101)
Total other financing sources (uses)	<u>(1,256,314)</u>	<u>(5,789,023)</u>	<u>1,053,148</u>	<u>6,112,002</u>	<u>305,057</u>	<u>424,870</u>
Net change in fund balances	<u>(2,288,172)</u>	<u>(3,038,198)</u>	<u>(4,327,661)</u>	<u>(8,864,423)</u>	<u>(156,744)</u>	<u>(18,675,198)</u>
Fund balance - beginning, as previously reported	21,968,172	7,059,332	11,998,969	8,123,257	3,453,162	52,602,892
Prior period adjustment	1,276,023	-	-	-	-	1,276,023
Fund balance - beginning, as restated	<u>23,244,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,244,195</u>
Fund balance - ending	<u>\$ 20,956,023</u>	<u>\$ 4,021,134</u>	<u>\$ 7,671,308</u>	<u>\$ (741,166)</u>	<u>\$ 3,296,418</u>	<u>\$ 35,203,717</u>

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

ORANGE COUNTY, NORTH CAROLINA
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 Year Ended June 30, 2004

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

Net change in fund balances - total governmental funds \$ (18,675,198)

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	1,866,460
Depreciation expense	(1,306,639)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,370
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The issuance of long-term debt (e.g. bonds, installment proceeds) provides current financial resources to governmental funds. This amount is the debt proceeds recorded in the governmental funds.	(378,300)
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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.	(105,869)
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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.	121,981
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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.	10,276,402
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Expenses related to compensated absences and net pension obligation in the Statement of Activities that do not pay for current financial obligations are not reported as expenditures in the governmental funds. This adjustment is the amount of change in these balances in the current year.	(350,000)
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The internal service fund is used by management to charge the costs of dental insurance costs.	34,555
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Change in net assets of governmental activities	\$ (8,493,238)
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The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2004

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 102,723,147	\$ 102,723,147	\$ 101,467,392	\$ (1,255,755)
Intergovernmental revenues	11,949,760	12,954,184	13,443,588	489,404
Charges for services	6,644,182	6,628,594	6,455,916	(172,678)
Investment earnings	609,000	609,000	221,670	(387,330)
Licenses and permits	1,291,075	1,291,075	1,360,384	69,309
Miscellaneous	1,196,794	1,218,505	1,022,657	(195,848)
Total revenues	<u>124,413,958</u>	<u>125,424,505</u>	<u>123,971,607</u>	<u>(1,452,898)</u>
Expenditures				
Current:				
General administration	8,491,939	8,512,457	7,567,223	945,234
Taxes and records	2,690,884	2,744,573	2,697,884	46,689
Community planning	2,775,897	3,020,355	2,912,556	107,799
Community maintenance	1,254,204	1,312,793	1,185,798	126,995
Human services	30,037,033	31,320,972	30,371,568	949,404
Education	46,461,608	46,461,608	46,461,682	(74)
Public safety	12,185,815	12,736,888	12,713,521	23,367
Public works	4,228,673	4,337,893	4,311,461	26,432
Principal	10,082,671	10,082,671	10,049,352	33,319
Interest and fees	6,765,469	6,765,469	6,766,805	(1,336)
Total expenditures	<u>124,974,193</u>	<u>127,295,679</u>	<u>125,037,850</u>	<u>2,257,829</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(560,235)</u>	<u>(1,871,174)</u>	<u>(1,066,243)</u>	<u>804,931</u>
Other financing sources (uses)				
Transfers in	2,383,571	2,383,571	2,975,167	591,596
Transfers out	(3,922,444)	(4,256,481)	(4,231,481)	25,000
Appropriated fund balance	2,099,108	3,744,084	-	(3,744,084)
Total other financing sources (uses)	<u>560,235</u>	<u>1,871,174</u>	<u>(1,256,314)</u>	<u>(3,127,488)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(2,322,557)</u>	<u>\$ (2,322,557)</u>
Fund balance - beginning, as previously reported			21,968,172	
Prior period adjustment			<u>1,276,023</u>	
Fund balance - beginning, as restated			23,244,195	
Decrease in reserve for inventory			<u>34,385</u>	
Fund balance - ending			<u>\$ 20,956,023</u>	

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - IMPACT FEE FUND
Year Ended June 30, 2004

	Budget Amounts		Actual	Variance With Final Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	61,761	\$ 61,761
Impact fees	-	-	2,689,064	2,689,064
Total revenues	<u>-</u>	<u>-</u>	<u>2,750,825</u>	<u>2,750,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,750,825</u>	<u>2,750,825</u>
Other financing sources (uses)				
Transfers out	-	-	(5,789,023)	(5,789,023)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,789,023)</u>	<u>(5,789,023)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(3,038,198)</u>	<u>\$ (3,038,198)</u>
Fund balance - beginning			<u>7,059,332</u>	
Fund balance - ending			<u>\$ 4,021,134</u>	

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	<u>ASSETS</u>			Internal Service Fund Dental Insurance Fund
	Enterprise Funds			
	Solid Waste Landfill Fund	Efland Sewer Fund	Total	
Current assets				
Cash and investments	\$ 3,813,479	\$ 78,784	\$ 3,892,263	\$ 180,729
Accounts receivable - state	40,596	-	40,596	-
Accounts receivable - other	339,679	-	339,679	-
Total current assets	<u>4,193,754</u>	<u>78,784</u>	<u>4,272,538</u>	<u>180,729</u>
Noncurrent assets				
Capital assets, net	6,757,554	985,548	7,743,102	-
Total noncurrent assets	<u>6,757,554</u>	<u>985,548</u>	<u>7,743,102</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,951,308</u>	<u>\$ 1,064,332</u>	<u>\$ 12,015,640</u>	<u>\$ 180,729</u>

LIABILITIES AND NET ASSETS

Current liabilities				
Accounts payable	\$ 194,065	\$ 2,374	\$ 196,439	\$ 15,912
Payroll withholdings	46,840	-	46,840	-
Accrued liabilities	996	-	996	48,104
Due to other funds	-	202,983	202,983	-
Current portion of long-term debt	381,147	-	381,147	-
Compensated absences - current portion	28,355	-	28,355	-
Total current liabilities	<u>651,403</u>	<u>205,357</u>	<u>856,760</u>	<u>64,016</u>
Compensated absences	106,849	-	106,849	-
Post closing liability	4,272,246	-	4,272,246	-
Long-term debt	1,327,533	-	1,327,533	-
Total noncurrent liabilities	<u>5,706,628</u>	<u>-</u>	<u>5,706,628</u>	<u>-</u>
Total liabilities	<u>6,358,031</u>	<u>205,357</u>	<u>6,563,388</u>	<u>64,016</u>
Net assets				
Invested in capital assets, net of related debt	5,048,874	985,548	6,034,422	-
Unrestricted	(455,597)	(126,573)	(582,170)	116,713
Total net assets	<u>4,593,277</u>	<u>858,975</u>	<u>5,452,252</u>	<u>116,713</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,951,308</u>	<u>\$ 1,064,332</u>	<u>\$ 12,015,640</u>	<u>\$ 180,729</u>

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds		Total	Internal Service Fund
	Solid Waste Landfill Fund	Effluent Sewer Fund		Dental Insurance Fund
Operating revenues				
Landfill fees	\$ 4,379,092	\$ -	\$ 4,379,092	\$ -
Service fees	-	49,826	49,826	-
Other	1,546	-	1,546	-
Employee contributions	-	-	-	341,504
Total operating revenues	<u>4,380,638</u>	<u>49,826</u>	<u>4,430,464</u>	<u>341,504</u>
Operating expenses				
Landfill	3,808,842	-	3,808,842	-
General and administrative	680,026	200,080	880,106	16,815
Depreciation	810,998	37,070	848,068	-
Post closing cost	127,114	-	127,114	-
Claims expense	-	-	-	291,431
Interest and fees	29,207	-	29,207	-
Total operating expenses	<u>5,456,187</u>	<u>237,150</u>	<u>5,693,337</u>	<u>308,246</u>
Operating income (loss)	<u>(1,075,549)</u>	<u>(187,324)</u>	<u>(1,262,873)</u>	<u>33,258</u>
Nonoperating revenue				
Investment earnings	28,182	651	28,833	1,295
Grant - State	191,750	-	191,750	-
Total nonoperating revenue	<u>219,932</u>	<u>651</u>	<u>220,583</u>	<u>1,295</u>
Income (loss) before transfers	<u>(855,617)</u>	<u>(186,673)</u>	<u>(1,042,290)</u>	<u>34,553</u>
Transfers in	-	137,500	137,500	-
Transfers out	(184,070)	-	(184,070)	-
Change in net assets	<u>(1,039,687)</u>	<u>(49,173)</u>	<u>(1,088,860)</u>	<u>34,553</u>
Total net assets - beginning	<u>5,632,964</u>	<u>908,148</u>	<u>6,541,112</u>	<u>82,160</u>
Total net assets - ending	<u>\$ 4,593,277</u>	<u>\$ 858,975</u>	<u>\$ 5,452,252</u>	<u>\$ 116,713</u>

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPREITARY FUNDS
Year Ended June 30, 2004

	Enterprise Funds			Internal Service
	Solid Waste Landfill Fund	Efland Sewer Fund	Total	Dental Insurance Fund
Operating activities				
Cash received from customers	\$ 4,493,321	\$ -	\$ 4,493,321	\$ -
Cash received from assessments	-	49,826	49,826	-
Cash received from federal, state & local agencies	(2,503)	-	(2,503)	-
Cash received from employee contributions	-	-	-	341,504
Cash paid to employees	(1,633,860)	(225,904)	(1,859,764)	-
Cash paid for goods and services	(2,926,149)	-	(2,926,149)	(8,156)
Cash paid for claims	-	-	-	(288,616)
Net cash provided by (used in) operating activities	<u>(69,191)</u>	<u>(176,078)</u>	<u>(245,269)</u>	<u>44,732</u>
Noncapital financing activities				
Transfers to other funds	(184,070)	-	(184,070)	-
Transfers from other funds	-	137,500	137,500	-
Unrestricted grants	191,750	-	191,750	-
Net cash provided (used) by noncapital financing activities	<u>7,680</u>	<u>137,500</u>	<u>145,180</u>	<u>-</u>
Capital and related financing activities				
Payments related to the acquisition of capital assets	(498,015)	-	(498,015)	-
Proceeds from the issuance of long-term debt	613,794	-	613,794	-
Payments related to the payment of debt	(270,157)	-	(270,157)	-
Net cash provided (used) by capital and related financing activities	<u>(154,378)</u>	<u>-</u>	<u>(154,378)</u>	<u>-</u>
Investing activities				
Interest payments received	28,182	651	28,833	1,295
Net cash provided (used) in investing activities	<u>28,182</u>	<u>651</u>	<u>28,833</u>	<u>1,295</u>
Net increase in cash and cash equivalents/investments	<u>(187,707)</u>	<u>(37,927)</u>	<u>(225,634)</u>	<u>46,027</u>
Cash and cash equivalents/investments				
Beginning of year	<u>4,001,186</u>	<u>116,711</u>	<u>4,117,897</u>	<u>134,702</u>
End of year	<u>\$ 3,813,479</u>	<u>\$ 78,784</u>	<u>\$ 3,892,263</u>	<u>\$ 180,729</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (1,075,549)	\$ (187,324)	\$ (1,262,873)	\$ 33,258
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	810,998	37,070	848,068	-
Post closing cost	127,114	-	127,114	-
Change in assets and liabilities				
Accounts receivable	110,180	-	110,180	-
Accounts payable	(72,250)	(25,824)	(98,074)	8,659
Compensated absences	30,316	-	30,316	-
Incurred but not reported reserve	-	-	-	2,815
Total adjustments	<u>1,006,358</u>	<u>11,246</u>	<u>1,017,604</u>	<u>11,474</u>
Net cash provided by (used in) operating activities	<u>\$ (69,191)</u>	<u>\$ (176,078)</u>	<u>\$ (245,269)</u>	<u>\$ 44,732</u>
Noncash investing, capital, and financing activities:				
Cash paid for interest	\$ 29,207	\$ -	\$ 29,207	\$ -

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

ORANGE COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2004

<u>ASSETS</u>	Agency Funds
Cash and investments	\$ 400,740
Accounts receivable - property taxes, net	153,840
Accounts receivable - other	65,303
TOTAL ASSETS	<u><u>\$ 619,883</u></u>
 <u>LIABILITIES</u> 	
Accounts payable	\$ 508,941
Due to library	4,710
Due to cooperative extension	106,232
TOTAL LIABILITIES	<u><u>\$ 619,883</u></u>

The accompanying notes are integral part of these financial statements.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

Discretely Presented Component Unit

Orange County ABC Board

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

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

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

Orange County Industrial Facility and Pollution Control Financing Authority

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following major governmental funds:

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

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

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

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

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

The County reports all of its enterprise funds as major:

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

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

The County reports the following fiduciary fund type:

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement Focus and Basis of Accounting

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

4. Budgetary Control

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

The appropriations in the various funds are formally budgeted on a functional basis. The County Manager is authorized to transfer budget amounts within the functional categories in any fund; however, any revisions that alter the total expenditures of any functional category or fund must be approved by the Board of County Commissioners. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina law, is amended from time to time by the Commissioners and the budgeted amounts reflected in the statements represent the budget as amended to June 30, 2004. During the year, several supplementary appropriations were necessary.

The following summarizes the supplementary appropriations made during 2004:

	Original Budget	Total Amendments	Revised Budget
GENERAL FUND	\$ 128,972,522	\$ 2,579,638	\$ 131,552,160
SPECIAL REVENUE FUNDS:			
Property Revaluation	167,220	143,277	310,497
Emergency Telephone System	462,159	62,531	524,690
Visitor's Bureau	673,440	979	674,419
Fire Districts	2,170,021	-	2,170,021
ENTERPRISE FUNDS:			
Solid Waste/Landfill	5,486,319	1,182,528	6,668,847

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Open encumbrances are reported as reservations of fund balance at June 30, 2004.

5. Equity in Pooled Cash and Cash Equivalent/Investments

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

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

All of the County's and the ABC Board deposits are required to be collateralized by using one of two options. Under the Dedicated Method, all deposits over the federal depository insurance coverage are collateralized with securities held by the County's or the ABC Board's agent in the unit's name. Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by their agent in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the ABC Board of the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County or the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depositor using the Pooling Method.

At year-end, the County's deposits had a carrying amount of \$29,914,233 and a bank balance of \$30,785,367. Of the bank balance, \$320,278 was covered by federal depository insurance and \$30,465,089 was covered by collateral held under the Pooling Method. At June 30, 2004, the County had \$5,035 cash on hand.

At year-end, the ABC Board's deposits had a carrying amount of \$827,751 and a bank balance of \$831,346. Of the bank balance, \$831,346 was covered by federal depository insurance.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General statutes authorize the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC-registered mutual fund. As of June 30, 2004 the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
NC Capital Management Trust – Cash Portfolio	\$ 7,055,022	N/A	N/A	N/A

The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2004. The North Carolina Capital Management Trust is exempt from risk categorization because a third-party custodian takes delivery of investment securities and the County does not own identifiable securities, but is a shareholder of the fund.

The ABC Board did not have any investments as of June 30, 2004.

6. Cash and Cash Equivalents

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

7. Restricted Assets

Unexpended bond and installment purchase proceeds are considered restricted assets because their use is completely restricted to the purpose for which the bonds and installment purchase proceeds were originally issued. Total unspent bond and installment purchase proceeds are \$6,429,631 at June 30, 2004.

8. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written-off in prior years. The allowance for uncollectible taxes receivable in the general fund was \$1,165,385 at June 30, 2004.

9. Concentrations of Credit Risk

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Inventories

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

11. Capital Assets

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

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

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

Description	Estimated Useful Lives
Buildings	20 – 30 Years
Automotive equipment	3 – 5 Years
Office and other equipment	5 – 20 Years
Sewer lines	40 Years

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

12. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

13. Compensated Absences

Permanent employees of the County can earn vacation leave at the rate of 12 days per year for the first two years up to a maximum of 24 days per year after 20 years. Vacation leave may be accumulated with a maximum until January 31 of each year. On that date, any accumulated vacation leave in excess of 240 hours is converted to sick leave. The maximum amount of vacation leave that can be carried forward to February 1 is 240 hours. At termination, employees are paid for any accumulated vacation leave. Accumulated vacation leave and salary related payments at June 30, 2004 amounted to \$2,621,231 for governmental activities and \$135,204 for business-type activities. ABC Board employees may accumulate up to 24 days earned vacation and such leave is fully vested when earned. The current portion of the ABC Board's accumulated vacation pay is not considered to be material.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent employees of the County earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave for either the County or the ABC Board. Accumulated sick leave for the County at June 30, 2004 amounted to \$8,072,950 in total, \$8,069,783 of which relates to the governmental funds and \$316,703 which relates to the enterprise funds. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County and the ABC Board have no obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

14. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the County's outstanding general obligation debt totaling \$104 million incurred for the Orange County and the Chapel Hill-Carrboro City Board's of Education (the "school system"). Under North Carolina law, the County is responsible for providing school system capital funding and has done so using a mixture of County funds and general obligation debt. The deficit results because the debt is recorded on the County's financial statements as the issuing government, while the related assets are owned, operated and recorded in the school system's financial statements.

Fund Balances

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

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- Reserve for inventories – represents total amount of inventories in the General Fund.
- Reserved for encumbrances – represents commitments for the expenditure of funds under purchase orders and contracts.
- Reserved for State statute – represents the amount of revenue that has been recognized on an accrual basis for financial statement purposes, but which is not available for appropriation in accordance with State statute.
- Designated for subsequent year's expenditures – represents the amount of fund balance appropriated to the budget for the year ending June 30, 2004.
- Undesignated – represents the amount of fund balance which is available for future appropriations.

15. Comparative Total Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. However, comparative totals and fund type data for the prior year have not been included on all statements, since their inclusion would not provide enhanced understanding of the County's financial position and operations or would make the statements unduly complex and difficult to read. Certain reclassifications have been made in the prior year's financial data in order to conform to the presentation of the financial statements for the year ended June 30, 2004.

16. Use of Estimates

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

B. PROPERTY TAXES RECEIVABLE

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

B. PROPERTY TAXES RECEIVABLE (continued)

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

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

As of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the County’s vehicle taxes for vehicles registered in Orange County from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes which were billed during this period are shown as receivable in these financial statements. Those taxes for vehicles register from March 1 through the fiscal year-end apply to the 2004-2005 fiscal year and are not shown as receivables at June 30, 2004.

For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have been collected as of year-end are also reflected as deferred at June 30, 2004 because they are intended to finance the County’s operations during the 2005 fiscal year.

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

Governmental Activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 8,686,112	\$ -	\$ 57,117	\$ 8,628,995
Water resources – Lake Orange	481,624	-	-	481,624
Construction-in-progress	<u>6,339,267</u>	<u>1,339,867</u>	<u>185,686</u>	<u>7,493,448</u>
Total	<u>15,507,003</u>	<u>1,339,867</u>	<u>242,803</u>	<u>16,604,067</u>
Capital assets being depreciated:				
Buildings	26,326,261	-	-	26,326,261
Automotive equipment	6,060,310	645,236	-	6,705,546
Other equipment	2,829,811	124,160	-	2,953,971
Equipment under capital lease	<u>19,450</u>	<u>-</u>	<u>-</u>	<u>19,450</u>
Total	<u>35,235,832</u>	<u>769,396</u>	<u>-</u>	<u>36,005,228</u>
Less accumulated depreciation for:				
Buildings	12,527,511	815,142	-	13,342,653
Automotive equipment	5,212,969	252,335	-	5,465,304
Other equipment	1,816,379	235,920	-	2,052,299
Equipment under capital lease	<u>16,208</u>	<u>3,242</u>	<u>-</u>	<u>19,450</u>
Total	<u>19,573,067</u>	<u>1,306,639</u>	<u>-</u>	<u>20,879,706</u>
Total capital assets being depreciated, net	<u>15,662,765</u>	<u>(537,243)</u>	<u>-</u>	<u>15,125,522</u>
Governmental activities capital assets, net	<u>\$ 31,169,768</u>	<u>\$ 802,624</u>	<u>\$ 242,803</u>	<u>\$ 31,729,589</u>

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

General government	\$ 356,410
Taxes and records	14,088
Community planning	59,879
Community maintenance	71,054
Human services	561,554
Public safety	171,296
Public works	<u>72,358</u>
Total depreciation expense	<u>\$ 1,306,639</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

C. CAPITAL ASSETS (continued)

Business-type Activities:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
<u>Solid Waste Landfill:</u>				
Capital assets not being depreciated:				
Land	\$ 1,244,683	\$ -	\$ -	\$ 1,244,683
Construction in progress	<u>1,795,630</u>	<u>-</u>	<u>-</u>	<u>1,795,630</u>
Total	<u>3,040,313</u>	<u>-</u>	<u>-</u>	<u>3,040,313</u>
Capital assets being depreciated:				
Land improvements	3,427,406	-	-	3,427,406
Buildings	863,077	-	-	863,077
Equipment	<u>5,695,248</u>	<u>498,015</u>	<u>-</u>	<u>6,193,263</u>
Total	<u>9,985,731</u>	<u>498,015</u>	<u>-</u>	<u>10,483,746</u>
Less accumulated depreciation for:				
Land improvements	2,671,176	342,117	-	3,013,293
Buildings	107,060	38,204	-	145,264
Equipment	<u>3,177,271</u>	<u>430,677</u>	<u>-</u>	<u>3,607,948</u>
Total	<u>5,955,507</u>	<u>810,998</u>	<u>-</u>	<u>6,766,505</u>
Total capital assets being depreciated, net	<u>4,030,224</u>	<u>(312,983)</u>	<u>-</u>	<u>3,717,241</u>
Solid waste capital assets, net	<u>\$ 7,070,537</u>	<u>\$ (312,983)</u>	<u>\$ -</u>	<u>\$ 6,757,554</u>
 <u>Efland Sewer:</u>				
Capital assets not being depreciated:				
Land and right-of-way	\$ 57,117	\$ -	\$ -	\$ 57,117
Capital assets being depreciated:				
Sewer lines	<u>1,482,786</u>	<u>-</u>	<u>-</u>	<u>1,482,786</u>
Less accumulated depreciation for:				
Sewer lines	<u>517,285</u>	<u>37,070</u>	<u>-</u>	<u>554,355</u>
Total capital assets being depreciated	<u>965,501</u>	<u>(37,070)</u>	<u>-</u>	<u>928,431</u>
Efland sewer capital assets, net	<u>\$ 1,022,618</u>	<u>\$ (37,070)</u>	<u>\$ -</u>	<u>\$ 985,548</u>
Business-type activities capital assets, net	<u>\$ 8,093,155</u>	<u>\$ (350,053)</u>	<u>\$ -</u>	<u>\$ 7,743,102</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

C. CAPITAL ASSETS (continued)

Orange County ABC Board:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
Capital assets not being depreciated:				
Land	\$ 215,389	\$ 18,307	\$ -	\$ 233,696
Capital assets being depreciated:				
Building and improvements	1,218,383	5,965	-	1,224,348
Store Number 1 Hillsborough	55,817	8,183	-	64,000
Store Number 2				
Eastgate/Village Plaza	31,329	9,802	-	41,131
Store Number 3 Chapel Hill				
North	39,131	11,986	-	51,117
Store Number 4 Mebane	38,765	8,028	-	46,793
Store Number 5 Eno	73,639	1,280	-	74,919
Store Number 6 Carrboro	41,769	-	2,087	39,682
Store Number 9 Carrboro	18,022	-	-	18,022
Warehouse fixtures and equipment	943	-	-	943
Office furniture, fixtures and equipment	56,783	-	538	56,245
Motor vehicles	66,594	-	-	66,594
Total	<u>1,641,175</u>	<u>45,244</u>	<u>2,625</u>	<u>1,683,794</u>
Less accumulated depreciation for:				
Building and improvements	406,537	49,614	-	456,151
Store Number 1 Hillsborough	45,464	4,793	-	50,257
Store Number 2				
Eastgate/Village Plaza	23,684	3,820	-	27,504
Store Number 3 Chapel Hill				
North	22,376	6,366	-	28,742
Store Number 4 Mebane	25,974	4,431	-	30,405
Store Number 5 Eno	44,732	9,571	-	54,303
Store Number 6- Carrboro	24,857	4,426	-	29,283
Store Number 9 Carrboro	601	3,604	-	4,205
Warehouse fixtures and equipment	943	-	-	943
Office furniture, fixtures and - equipment	32,689	6,825	-	39,514
Motor vehicles	43,161	7,916	-	51,077
Total	<u>671,018</u>	<u>101,366</u>	<u>-</u>	<u>772,384</u>
Total capital assets being depreciated, net	<u>970,157</u>	<u>(56,122)</u>	<u>2,625</u>	<u>911,410</u>
Orange County ABC Board capital assets, net	<u>\$ 1,185,546</u>	<u>\$ (37,815)</u>	<u>\$ 2,625</u>	<u>\$ 1,145,106</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

D. DEFERRED/UNEARNED REVENUES

At June 30, 2004 deferred revenues on the fund financial statements and unearned revenue on the government-wide statements consists of the following:

	Deferred Revenue	Unearned Revenue
Net property taxes receivable (General)	\$ 1,568,071	\$ -
Net property taxes receivable (Fire Districts Special Revenue)	58,889	-
Prepaid taxes (General)	-	861,310
Other deferred revenue (General)	199,777	-
	\$ 1,826,737	\$ 861,310

E. LONG-TERM OBLIGATIONS

The following is a summary of transactions affecting the County's long-term obligations for the year ended June 30, 2004:

	Balance		Increases	Decreases	Balance	Amounts
	July 1, 2003		Increases	Decreases	June 30, 2004	Due Within One Year
Governmental activities:						
General obligation bonds	\$113,935,000	\$ -	\$ 6,350,000		\$107,585,000	\$ 6,915,000
Obligations under capital						
Leases	5,776	378,300		5,318	378,758	70,366
Installment notes payable	32,559,707	-		3,948,812	28,610,895	4,047,009
Less deferred amounts on						
refunding of bonds	(1,840,932)	-		-	(1,840,932)	-
Bond premium on refunding	2,912,272	-		-	2,912,272	-
Accumulated amortization of						
refunding items	(206,507)	(225,912)		-	(432,419)	-
Accrued compensated absences	2,271,231	893,501		543,501	2,621,231	543,501
Separation allowance	488,450	27,206		-	515,656	-
Total governmental						
Activities	\$150,124,997	\$ 1,073,095	\$ 10,847,631	\$140,350,461	\$ 11,575,876	
Business type activities:						
Obligations under capital	\$ -	613,794		-	613,794	113,575
leases						
Installment notes payable	1,365,043	-		270,157	1,094,886	267,572
Post closing liability	4,145,132	127,114		-	4,272,246	-
Accrued compensated absences	104,888	58,671		28,355	135,204	28,355
Business type activities:	\$ 5,615,063	\$ 799,579	\$ 298,512	\$ 6,116,130	\$ 409,502	

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

E. LONG-TERM OBLIGATIONS (continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$1,029,800. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued in the government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$872,250 and resulted in economic gain of \$677,075. The outstanding amount of the refunded debt at June 30, 2004 was \$18,320,000.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$811,132. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued in the government-wide financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$1,976,038 and resulted in economic gain of \$1,819,931. The outstanding amount of the refunded debt at June 30, 2004 was \$19,085,000.

General long-term debt payable at June 30, 2004 is comprised of the following:

General obligation bonds:

Schools:

2000 School Building serial bonds due in annual installments of \$1,000,000 to \$4,400,000 through April 1, 2018, interest at 5.2% to 5.3%	\$ 30,433,200
2000 Public Building serial bonds due in annual installments of \$100,000 to \$400,000 through April 1, 2018; interest at 5.20% to 5.30%	2,445,000
2000 Parks serial bonds due in annual installments to \$100,000 to \$400,000 through April 1, 2019; interest at 5.20% to 5.30%	2,496,800
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%	11,175,200

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

E. LONG-TERM OBLIGATIONS (continued)

2001 Public Building serial bonds due in annual installments of \$164,700 to \$165,600 through February 1, 2021; interest at 4.5% to 4.7%	\$ 2,838,800
2001 Affordable Housing serial bond due in annual installments of \$91,500 to \$92,000 through February 1, 2021; interest at 4.5% to 4.7 %	1,616,000
2003 Public Improvement Bonds due in annual installments of \$650,000 to \$2,200,000 through March 1, 2013; interest at 4.00% to 4.12%	19,175,000
Refunding:	
2001 Refunding serial bonds due in annual installments of \$755,000 to \$1,435,000 through February 1, 2014; interest at 4.00% to 5.25%	18,320,000
2003 Refunding serial bonds due in annual installments of \$971,000 to \$3,350,970 through June 1, 2013; interest at 3.00% to 5.00%	<u>19,085,000</u>
Total general obligation bonds	<u>107,585,000</u>

Obligations under capital leases:

Serviced by governmental funds :

Capitalized equipment lease obligation due in annual installments of \$215,061 which includes interest at 4% through September 1, 2009 (38.1% governmental)	378,300
Capitalized equipment lease obligation due in monthly installments of \$458 which includes interest at 6.18% through July 1, 2004	458

Serviced by the County's solid waste fund :

Capitalized equipment lease obligation due in annual installments of \$215,061 which includes interest at 4% through September 1, 2009 (61.9% business-type)	<u>613,794</u>
Total capital lease obligations	<u>992,552</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

E. LONG-TERM OBLIGATIONS (continued)

Installment notes payable:

Serviced by governmental funds :

Installment note payable due in semi-annual payments of \$480,650 which includes interest at 5.75% based on construction draw through July 1, 2009	\$ 4,298,113
Installment note payable due in semi-annual payments of \$124,403 which includes interest at 4.35% through January 18, 2006	471,673
Installment note payable due in semi-annual payments which includes interest at 5.54% through July 23, 2006	346,326
Installment note payable due in semi-annual payments which includes interest at 5.05% through July 1, 2008	355,911
Installment note payable due in semi-annual payments of \$239,027 which includes interest at 4.92% through February 1, 2006	3,263,654
Installment note payable in semi-annual payments of \$424,980 which includes interest at 4.92% through February 1, 2006	5,873,762
Installment note payable due in semi-annual payments which includes interest at 4.58% through November 1, 2010	9,555,000
Installment note payable due in monthly payments \$6,630 which includes interest at 6.00% through October 1, 2005	101,696
Installment note payable due in quarterly payments which includes interest at 5.32% through June 1, 2006	172,397
Installment note payable due in annual payments of \$143,490 which includes interest at 3.75% through July 1, 2007 (32.4 % governmental)	524,768
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	3,235,345
Installment note payable due in quarterly payments of \$12,251 to \$17,181 Which includes interest at 4.17% through October 7, 2012	<u>412,250</u>
Total installment notes payable	<u>28,610,895</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

E. LONG-TERM OBLIGATIONS (continued)

Installment notes payable:

Serviced by the County's solid waste fund :

Installment note payable due in annual payments of \$299,380, which includes interest at 3.75% through July 1, 2007 (67.6% business-type) \$ 1,094,886

Total \$ 138,283,333

The annual requirements as of June 30, 2004 to amortize outstanding debt and funds available for draw under general obligation bonds, installment purchase contracts, and capital leases, exclusive of accrued compensated absences and the separation allowance, are as follows:

Year Ending June 30	Capital Leases		Installment Purchase Obligations		General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:								
2005	\$ 70,366	\$ 11,434	\$ 4,047,009	\$ 1,262,530	\$ 6,915,000	\$ 5,116,528	\$ 11,032,375	\$ 6,390,492
2006	72,722	10,364	4,105,390	1,073,567	6,875,000	4,792,628	11,053,112	5,876,559
2007	75,612	7,216	3,778,325	887,181	6,930,000	4,470,578	10,783,937	5,364,975
2008	79,691	3,942	3,841,421	712,408	6,885,000	4,145,328	10,806,112	4,861,678
2009	80,367	531	3,656,077	541,340	6,830,000	3,822,178	10,566,444	4,364,049
2010-2014	-	-	8,381,820	829,291	34,070,000	14,276,505	42,451,820	15,105,796
2015-2019	-	-	800,853	5,823	31,100,000	5,946,503	31,900,853	5,952,326
2020-2024	-	-	-	-	7,980,000	616,913	7,980,000	616,913
2025-2027	-	-	-	-	-	-	-	-
Total	<u>\$ 378,758</u>	<u>\$ 33,487</u>	<u>\$ 28,610,895</u>	<u>\$ 5,312,140</u>	<u>\$ 107,585,000</u>	<u>\$ 43,187,161</u>	<u>\$ 136,574,653</u>	<u>\$ 48,532,788</u>
Business-Type Activities:								
2005	\$ 113,575	\$ 18,577	\$ 267,572	\$ 31,808	\$ -	\$ -	\$ 381,147	\$ 50,385
2006	118,150	16,838	277,780	21,600	-	-	395,930	38,438
2007	122,845	11,723	288,384	10,996	-	-	411,229	22,719
2008	129,471	6,404	261,150	-	-	-	390,621	6,404
2009	129,753	862	-	-	-	-	129,753	862
2010-2014	-	-	-	-	-	-	-	-
2015-2019	-	-	-	-	-	-	-	-
2020-2024	-	-	-	-	-	-	-	-
2025-2027	-	-	-	-	-	-	-	-
Total	<u>\$ 613,794</u>	<u>\$ 54,404</u>	<u>\$ 1,094,886</u>	<u>\$ 64,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,708,680</u>	<u>\$ 118,808</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

E. LONG-TERM OBLIGATIONS (continued)

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

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County may, with certain exceptions, have outstanding net debt, excluding bonds issued for water purposes, in principal amounts not exceeding 8% of the appraised value of property subject to taxation. At June 30, 2004, such statutory limit for the County was approximately \$779 million, providing a legal debt margin of approximately \$642million.

The ABC Board has no long-term debt as of June 30, 2004.

Bonds authorized but unissued at June 30, 2004 was \$55,825,000.

Conduit Debt Obligations

Orange County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to Mebane Packaging Company for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there is one series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$0.

F. COMMITMENTS

1. Leases

The County leases ambulances, car and landfill equipment under lease agreements, that are classified as capital leases. Accordingly, the original present value (\$1,011,543) 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, 2004, future minimum rental payments due under the capital leases are as follow:

Total minimum lease payments	\$ 1,080,765
Less amount representing interest	<u>88,213</u>
Present value of minimum lease payments	<u>\$ 992,552</u>

The total rental paid for all operating leases was \$554,331 for the year ended June 30, 2004. All operating leases are for terms of one year or less and consist principally of office space rentals for various County functions.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

F. COMMITMENTS (continued)

2. School Facilities

For fiscal year 2003-04, the Board of County Commissioners approved a capital plan for both the Chapel Hill/Carrboro and Orange County school systems totaling \$88 million over the next 5 years. This amount includes \$29 million in school bonds approved by the voters in November 2001 with the balance coming from projected pay-as-you go capital funds and planned alternative financing sources. The Board adopts project ordinances that commit funding for the first year of the plan. The amount to be allocated for fiscal year 2004-05 is approximately \$15 million.

3. County Facilities

For fiscal year 2003-04, the Board of County Commissioners approved a capital plan for County projects totaling \$66 million over the next 5 years. This plan will be funded by a combination of \$28 million in bond proceeds approved by the voters in November 2001 and \$23 million in alternative financing sources with the balance from projected pay-as-you-go revenues. The Board adopts project ordinances that commit funding for the first year of the plan. The amount to be allocated for the fiscal year 2004-05 is approximately \$26 million.

G. INTERFUND BALANCES AND ACTIVITIES

The following is a schedule of interfund receivable and payable balances as of June 30, 2004:

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

All interfund balances and activities shown above resulted from loans made to supplement other funding sources.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

G. INTERFUND BALANCES AND ACTIVITIES (continued)

TRANSFERS:

The following is a summary of transfers for the year ended June 30, 2004:

	<u>Transfers from</u>						Total
	General Fund	Special Revenue Funds School Capital Res. Fund	Impact Fees	Capital Projects Funds County Capital Improvements Fund	School Capital Improvements Fund	Enterprise Fund Solid Waste Landfill	
General Fund	\$ -	\$ -	\$1,158,500	\$ 1,304,095	\$ 328,502	\$ 184,070	\$2,975,167
Special Revenue Funds:							
Property Revaluation	193,277	-	-	-	-	-	193,277
Grants Projects	98,780	-	-	-	-	-	98,780
Affordable Housing (Community Dev)	78,000	-	-	-	-	-	78,000
Capital Projects Funds:							
County Capital Improvements	1,913,943	65,000	-	-	-	-	1,978,943
School Capital Improvements	1,809,981	-	4,630,523	-	-	-	6,440,504
Enterprise Fund:							
Efland Sewer	137,500	-	-	-	-	-	137,500
	<u>\$4,231,481</u>	<u>\$ 65,000</u>	<u>\$5,789,023</u>	<u>\$ 1,304,095</u>	<u>\$ 328,502</u>	<u>\$ 184,070</u>	<u>\$11,902,171</u>

All transfers resulted from the need to supplement funding sources.

H. EMPLOYEE RETIREMENT SYSTEMS

1. State Plans

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

2. Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board contribute to the statewide Local Governmental Employees Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGEDRS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, North Carolina 27699-1410, or by calling (919) 981-5454.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.88% and 4.78%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 4.99% of annual covered payroll. The contribution requirements of members and of Orange County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2002, 2003, and 2004 were \$1,384,213, \$1,348,632, and \$1,464,254 respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2002, 2003, and 2004 were \$39,346, \$42,855 and \$50,411 respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

3. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Separation Allowance covers all full-time law enforcement officers of the County. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	11
Active plan members	<u>95</u>
Total	<u><u>106</u></u>

Summary of Significant Accounting Policies:

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

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected used credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increase ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

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

Annual required contribution	\$	136,066
Interest on net pension obligation		35,413
Adjustment to annual required contribution		<u>(26,798)</u>
Annual pension cost		144,681
Contributions made		<u>(117,475)</u>
Increase in net pension obligation		27,206
Net pension obligation, beginning of year		<u>488,450</u>
Net pension obligation, end of year	\$	<u><u>515,656</u></u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Pension</u> <u>Cost ("APC")</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2004	\$ 144,681	81.20%	\$ 515,656
June 30, 2003	140,850	78.13%	488,450
June 30, 2002	135,642	75.71%	457,652

4. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

H. EMPLOYEE RETIREMENT SYSTEMS (continued)

Funding Policy. Article 12 E of G.S. Chapter 143 required the County to contribute each month an amount equal to five percent of each officers' salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2004 were \$246,034, which consisted of \$194,338 from the County and \$51,696 from the law enforcement officers.

5. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$46,573.

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

In addition to providing pension benefits, the County has elected to provide health benefits to retirees of the County who participate in the North Carolina Local Government Employees' Retirement System ("System") and have at least ten years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently, 141 retirees are eligible for health benefits. For the fiscal year ended June 30, 2004, the County made payments for health benefit premiums of \$561,941. The County obtains health care coverage through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System ("Death Benefit Plan"), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000.

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2004

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

All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the State for death benefits of \$26,399. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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

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

Death benefits are provided through the Death Benefit Plan for Members of the Teachers' and State Employees' Retirement System ("Death Benefit Plan"), a State-administered plan funded on a one-year term cost basis. Lump sum death benefits are provided to employees (1) who die in active service after one year of contributing membership service in the System, or (2) who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death. Currently, the County has 2 retirees and terminated employees who are eligible to receive death benefits. This payment is equal to the employee's highest 12 consecutive months salary during the 24 months prior to his/her death, but must be at least \$25,000 and no more than \$50,000.

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

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

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

K. CLOSURE AND POSTCLOSURE CARE COSTS – ORANGE REGIONAL LANDFILL

State and Federal laws and regulations require the Orange Regional Landfill to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the sites stop accepting waste, the Orange Regional Landfill reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,272,246 reported as landfill closure and postclosure care liability in the Solid Waste Fund at June 30, 2004, represents the County's cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill site north of Eubank Road and 59.6 percent of the estimated capacity of the landfill site south of Eubank Road. The landfill is currently estimated to continue operating until the 2005 fiscal year. The total estimated cost of closure and postclosure care is approximately \$4,696,364. This amount is based on current estimates of costs to perform all closure and postclosure care. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

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

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2004

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

In complying with these regulations during fiscal year 2004, the County has submitted certified statements of Bond Indicators and Ratio Indicators of Financial Strength to the State of North Carolina Department of Environment, Health and Natural Resources.

L. RISK MANAGEMENT

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

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

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

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

A limited risk management program is also maintained for employees' dental benefits. Premiums are paid into the Dental Internal Service Fund by all other funds and are available to pay claims and administrative costs of the program. During fiscal year 2004, a total of \$296,772 was incurred for benefits and administrative costs.

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

	Year Ended June 30, 2004	Year Ended June 30, 2003
Unpaid claims, beginning of the year	\$ 45,289	\$ 43,520
Incurred claims	291,431	291,236
Claim payments	<u>(288,616)</u>	<u>(289,467)</u>
Unpaid claims, end of year	<u>\$ 48,104</u>	<u>\$ 45,289</u>

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

M. JOINTLY GOVERNED ORGANIZATION

Orange Water and Sewer Authority

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

Triangle Transit Authority

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

N. JOINT VENTURES

Hyconeechee Regional Library

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

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

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

ORANGE COUNTY, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2004

N. JOINT VENTURES (continued)

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, 2004, the County contributed \$1,306,000 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, 2004. Complete financial statements for the Authority can be obtained from the Authority's offices at 333 McMasters Street, Chapel Hill, North Carolina 27514.

O. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance or Net Assets of Individual Funds

The School Capital Improvements Fund had a deficit fund balance of \$741,166 at June 30, 2004. The deficit resulted from projects funded with bonds for which the bonds were issued in the subsequent fiscal year. The County Commissioners adopted a reimbursement resolution authorizing this expenditure. The deficit will be funded with bonds sold in July 2004.

Noncompliance with North Carolina General Statutes

There is not an annual budget adopted for the Impact Fee Special Revenue fund. N.C. General Statutes require that a balanced budget be adopted for all annually budgeted funds. A budget has been adopted for 2004-2005 fiscal year as required.

There is not a financial plan included in the budget ordinance for the Internal Service fund. N.C. General Statute 159-13.1 requires that a balanced financial plan be included in its budget ordinance.

P. SUBSEQUENT EVENT

On July 20, 2004 the County sold \$25,140,000 in general obligation bonds. These bonds were issued to provide funding for school, park, affordable housing and other public facilities. The interest rates on the bonds range from 3.25% to 5.25%. The maturity date for the bonds is February 1, 2023. Funds are included in the County's 2004-2005 budget to provide for debt service payments associated with the bonds.

Q. PRIOR PERIOD ADJUSTMENT

During fiscal year 2004, the State of North Carolina changed the distribution method for local option sales tax that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than a quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the State on or around September 15, 2004. Beginning for fiscal year 2004, on advice from the NC State Treasurer's office and in accordance with GASB Statement No. 33, the County will consider a sales tax distribution as revenue as of June 30 if it is received within 90 days of year-end. The County has previously considered sales tax receivables to be revenue only if received 60 days of year-end.

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, ending fund balance of the General Fund would have been \$23,244,195 which is \$1,276,023 higher than previously reported. The beginning fund balance of the General Fund for the 2004 fiscal year has been restated to that amount.

ORANGE COUNTY, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2004

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

ORANGE COUNTY , NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2004

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

ORANGE COUNTY , NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Year Ended June 30, 2004

NOTE TO THE REQUIRED SCHEDULES:

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

Valuation date	December 31, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	7.25%
Projected salary increases	5.9% - 9.8%
Includes inflation at	3.75%
Cost of living adjustments	None

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Budget	Actual	Positive (Negative) Variance	2003 Actual
Revenues				
Taxes				
Property tax	\$ 82,969,624	\$ 82,314,040	\$ (655,584)	\$ 78,110,438
Tax penalties and interest	370,000	407,083	37,083	371,785
Animal tax	105,000	116,683	11,683	91,755
Inventory taxes	-	-	-	-
Gross receipts tax	70,000	39,823	(30,177)	37,650
Local option sales tax	19,208,523	18,589,763	(618,760)	15,985,224
Total taxes	<u>102,723,147</u>	<u>101,467,392</u>	<u>(1,255,755)</u>	<u>94,596,852</u>
Intergovernmental Revenues				
Beer and wine tax	195,000	203,330	8,330	198,888
Refunds - gasoline tax	55,015	4,582	(50,433)	62,125
Intangibles	-	-	-	-
Federal and State grants	12,343,307	12,853,695	510,388	11,347,420
Local grants	360,862	381,981	21,119	310,514
Total intergovernmental revenues	<u>12,954,184</u>	<u>13,443,588</u>	<u>489,404</u>	<u>11,918,947</u>
Charges for Services				
Register of deeds	1,731,000	1,855,500	124,500	1,900,191
Land records fees	18,000	14,847	(3,153)	15,093
Collection fees	120,000	125,516	5,516	125,122
Health service fees	915,718	808,024	(107,694)	776,609
Recreation fees	136,515	124,924	(11,591)	102,342
Planning fees	238,550	154,713	(83,837)	381,768
Human service charges	35,000	1,930	(33,070)	24,247
Aging fees	303,621	297,293	(6,328)	320,833
EMS fees	1,088,790	1,160,410	71,620	1,024,114
Sheriff and court charges	1,935,900	1,798,136	(137,764)	1,866,818
Other charges	105,500	114,623	9,123	95,831
Total charges for services	<u>6,628,594</u>	<u>6,455,916</u>	<u>(172,678)</u>	<u>6,632,968</u>
Investment earnings	<u>609,000</u>	<u>221,670</u>	<u>(387,330)</u>	<u>272,677</u>
Licenses and Permits				
Privilege licenses	11,500	11,726	226	10,838
Inspection fees	625,000	718,728	93,728	582,712
Franchise fees	224,000	214,991	(9,009)	223,447
Health permits	430,575	414,939	(15,636)	364,201
Total licenses and permits	<u>1,291,075</u>	<u>1,360,384</u>	<u>69,309</u>	<u>1,181,198</u>
Other Revenues				
Donations	77,051	11,634	(65,417)	21,029
Rent	184,004	191,026	7,022	214,945
Other	458,450	314,702	(143,748)	521,866
ABC Board Law enforcement distribution	65,000	69,939	4,939	68,147
ABC Board Profit distribution	434,000	435,356	1,356	334,299
Total other revenues	<u>1,218,505</u>	<u>1,022,657</u>	<u>(195,848)</u>	<u>1,160,286</u>
Total revenues	<u>125,424,505</u>	<u>123,971,607</u>	<u>(1,452,898)</u>	<u>115,762,928</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Budget	Actual	Positive (Negative) Variance	2003 Actual
Expenditures				
Community Maintenance				
County Commissioners	501,960	443,892	58,068	396,881
Courts	170,006	178,674	(8,668)	151,002
Elections	396,348	322,017	74,331	357,209
Soil and water conservation	244,479	241,215	3,264	232,763
Total community maintenance	<u>1,312,793</u>	<u>1,185,798</u>	<u>126,995</u>	<u>1,137,855</u>
General Administration				
County manager	905,332	910,160	(4,828)	844,387
Budget	241,197	237,452	3,745	216,139
Personnel	613,365	611,737	1,628	595,344
Finance	399,305	389,096	10,209	381,789
Purchasing	230,547	231,675	(1,128)	295,300
Central services	1,989,244	1,464,485	524,759	1,225,054
Information systems	930,589	972,801	(42,212)	735,117
Total general administration	<u>5,309,579</u>	<u>4,817,406</u>	<u>492,173</u>	<u>4,293,130</u>
Taxation and Records				
Register of deeds	935,188	916,687	18,501	870,580
Land records	473,686	466,751	6,935	457,408
Assessor	661,626	638,474	23,152	643,067
Tax collector	674,073	675,972	(1,899)	594,159
Total taxation and records	<u>2,744,573</u>	<u>2,697,884</u>	<u>46,689</u>	<u>2,565,214</u>
Community Planning				
Planning	2,128,964	2,140,396	(11,432)	1,760,211
Environmental resource conservation	507,892	404,203	103,689	417,685
Economic development	383,499	367,957	15,542	313,833
Total community planning	<u>3,020,355</u>	<u>2,912,556</u>	<u>107,799</u>	<u>2,491,729</u>
Human Services				
Social services	17,128,152	16,744,776	383,376	15,677,310
Health	8,028,576	7,881,603	146,973	5,795,194
Cooperative extension	443,572	403,446	40,126	348,134
Recreation and parks	1,197,565	1,070,512	127,053	815,859
Aging	2,496,335	2,374,592	121,743	2,135,015
Human rights and relations	416,304	286,238	130,066	284,483
Library services	878,204	847,519	30,685	723,059
Child support enforcement	732,264	762,882	(30,618)	698,780
Mental health	-	-	-	1,294,000
Total human services	<u>31,320,972</u>	<u>30,371,568</u>	<u>949,404</u>	<u>27,771,834</u>
Education				
Current expense	44,684,324	44,684,324	-	42,293,960
Capital outlay	1,777,284	1,777,358	(74)	1,856,397
Total education	<u>46,461,608</u>	<u>46,461,682</u>	<u>(74)</u>	<u>44,150,357</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Budget	Actual	Positive (Negative) Variance	2003 Actual
Public Safety				
Sheriff	8,199,769	8,045,639	154,130	7,304,341
Emergency services	4,537,119	4,667,882	(130,763)	4,124,031
Total public safety	<u>12,736,888</u>	<u>12,713,521</u>	<u>23,367</u>	<u>11,428,372</u>
Public Works				
Buildings and grounds	2,685,306	2,619,764	65,542	2,620,143
Motor pool	32,670	26,015	6,655	45,544
Sanitation	1,619,917	1,665,682	(45,765)	1,468,603
Total public works	<u>4,337,893</u>	<u>4,311,461</u>	<u>26,432</u>	<u>4,134,290</u>
Nondepartmental				
Outside agencies				
Operations	2,213,395	1,957,111	256,284	1,842,294
Miscellaneous				
Operations	989,483	792,706	196,777	645,347
Total nondepartmental	<u>3,202,878</u>	<u>2,749,817</u>	<u>453,061</u>	<u>2,487,641</u>
Debt Service				
Principal on bonds				
School bond	5,577,800	5,577,800	-	5,464,613
County bond	772,200	772,200	-	930,387
Private placement				
Schools	3,016,363	3,005,158	11,205	2,874,623
County	716,308	694,194	22,114	497,379
	<u>10,082,671</u>	<u>10,049,352</u>	<u>33,319</u>	<u>9,767,002</u>
Interest and Fees				
School bond interest	4,490,005	4,490,005	-	4,182,450
County bond interest	815,745	815,745	-	709,762
Private placement interest	1,220,196	1,231,401	(11,205)	1,307,429
County private placement interest	239,523	229,512	10,011	115,334
School bond fees	-	142	(142)	657
	<u>6,765,469</u>	<u>6,766,805</u>	<u>(1,336)</u>	<u>6,315,632</u>
Total debt service	<u>16,848,140</u>	<u>16,816,157</u>	<u>31,983</u>	<u>16,082,634</u>
Total expenditures	<u>127,295,679</u>	<u>125,037,850</u>	<u>2,257,829</u>	<u>116,543,056</u>
Excess of revenues over (under) expenditures	<u>(1,871,174)</u>	<u>(1,066,243)</u>	<u>804,931</u>	<u>(780,128)</u>

(Continued)

ORANGE COUNTY, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Concluded)
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Budget	Actual	Positive (Negative) Variance	2003 Actual
Other financing sources (uses)				
Transfers in	2,383,571	2,975,167	591,596	3,436,304
Appropriated fund balance	3,744,084	-	(3,744,084)	-
Transfers out	(4,256,481)	(4,231,481)	25,000	(2,083,778)
Total other financing uses	<u>1,871,174</u>	<u>(1,256,314)</u>	<u>(3,127,488)</u>	<u>1,352,526</u>
Excess of revenues and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>(2,322,557)</u>	<u>\$ (2,322,557)</u>	<u>572,398</u>
Fund balance - beginning of year, as previously reported		21,968,172		21,432,157
Prior period adjustment		<u>1,276,023</u>		<u>-</u>
Fund balance - beginning of year, as restated		<u>23,244,195</u>		<u>21,432,157</u>
(Increase) Decrease in reserve for inventory		<u>34,385</u>		<u>(36,383)</u>
Fund balance -end of year		<u>\$ 20,956,023</u>		<u>\$ 21,968,172</u>

MAJOR FUNDS

SPECIAL REVENUE FUND

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

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

CAPITAL PROJECTS FUNDS

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

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

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

ORANGE COUNTY, NORTH CAROLINA
IMPACT FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Budget	2004 Actual	Variance- Positive (Negative)	2003 Actual
Revenues				
Fees - Orange County Schools	\$ -	\$ 1,038,400	\$ 1,038,400	\$ 979,153
Fees - Chapel Hill, Carrboro Schools	-	1,650,664	1,650,664	1,616,189
Total impact fees	-	2,689,064	2,689,064	2,595,342
Investment earnings - Orange County Schools	-	12,352	12,352	15,753
Investment earnings - Chapel Hill, Carrboro Schools	-	49,409	49,409	79,089
Total investment earnings	-	61,761	61,761	94,842
Total revenues	-	2,750,825	2,750,825	2,690,184
Other financing uses-				
Transfer out	-	(5,789,023)	(5,789,023)	(3,977,720)
Excess of revenues over other uses	\$ -	(3,038,198)	\$ (3,038,198)	(1,287,536)
Fund balance, beginning of year		7,059,332		8,346,868
Fund balance, end of year		\$ 4,021,134		\$ 7,059,332

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, 2004

	Actual						
	Total July 1, 2003	Current Year Increase (Decrease)	Total June 30, 2004	Reported in Prior Years	Closed Out Projects	Current Year	Total To Date
Revenues							
State grants	\$ 3,626,367	291,353	\$ 3,917,720	\$ 1,460,851	\$ 24,220	\$ 369,912	\$ 1,806,543
Investment earnings	-	-	-	1,076,377	-	63,555	1,139,932
Other	451,320	-	451,320	1,588,254	1,006,059	328,946	911,141
Total revenues	4,077,687	291,353	4,369,040	4,125,482	1,030,279	762,413	3,857,616
Expenditures							
Buildings	14,854,278	848,314	15,702,592	5,266,866	2,709,797	2,203,043	4,760,112
Improvements	6,180,680	1,162,487	7,343,167	5,208,659	275,283	1,293,524	6,226,900
Equipment	6,412,491	(602,098)	5,810,393	4,119,044	512,528	1,759,718	5,366,234
Parks	9,810,815	(568,131)	9,242,684	9,150,197	1,066,747	528,800	8,612,250
Other	6,883,533	(4,888,537)	1,994,996	2,429,858	119,240	117,089	2,427,707
Debt Service							
Principal	131,000	60,000	191,000	211,142	-	227,050	438,192
Interest	-	-	-	-	-	13,998	13,998
Total expenditures	44,272,797	(3,987,965)	40,284,832	26,385,766	4,683,595	6,143,222	27,845,393
Excess (Deficiency) of revenues over expenditures	(40,195,110)	4,279,318	(35,915,792)	(22,260,284)	(3,653,316)	(5,380,809)	(23,987,777)
Other financing sources (uses)							
Bonds issuance	14,016,504	15,000	14,031,504	13,117,500	-	-	13,117,500
Installment loan issuance	7,546,000	(1,126,700)	6,419,300	8,469,826	1,980,000	378,300	6,868,126
Capital lease issuance	-	-	-	19,450	-	-	19,450
Transfers in	19,803,391	(3,583,003)	16,220,388	13,697,127	1,882,574	1,978,943	13,793,496
Transfers out	(1,399,350)	518,850	(880,500)	(1,044,450)	(209,258)	(1,304,095)	(2,139,487)
Appropriated fund balance	228,565	(103,465)	125,100	-	-	-	-
Total other financing sources (uses)	40,195,110	(4,279,318)	35,915,792	34,259,253	3,653,316	1,053,148	31,659,885
Excess of revenue and other financing sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ 11,998,969	\$ -	(4,327,661)	\$ 7,671,308
Fund balance, beginning of year							
Fund balance, end of year							
						11,998,969	
							\$ 7,671,308

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, 2004

	Authorizations		Actual				
	Total July 1, 2003	Current Year Increase (Decrease)	Total June 30, 2004	Reported in Prior Years	Closed Out Projects	Current Year	Total To Date
Revenues							
State grants	\$ 20,714,128	\$ (13,145,261)	\$ 7,568,867	\$ 19,615,166	\$ 12,915,496	\$ -	\$ 6,699,670
Investment earnings	2,425,887	-	2,425,887	9,651,273	-	26,927	9,678,200
Other	126,966	(126,966)	-	196,431	133,347	-	63,084
Total revenues	<u>23,266,981</u>	<u>(13,272,227)</u>	<u>9,994,754</u>	<u>29,462,870</u>	<u>13,048,843</u>	<u>26,927</u>	<u>16,440,954</u>
Expenditures							
Orange County School Projects	76,197,859	1,240,000	77,437,859	73,212,455	-	4,029,883	77,242,338
Chapel Hill School Projects	148,405,581	(89,376,206)	59,029,375	139,319,333	93,351,320	10,971,469	56,939,482
Bond issuance costs	-	-	-	316,637	-	2,000	318,637
Total expenditures	<u>224,603,440</u>	<u>(88,136,206)</u>	<u>136,467,234</u>	<u>212,848,425</u>	<u>93,351,320</u>	<u>15,003,352</u>	<u>134,500,457</u>
Excess (deficiency) of revenues over expenditures	<u>(201,336,459)</u>	<u>74,863,979</u>	<u>(126,472,480)</u>	<u>(183,385,555)</u>	<u>(80,302,477)</u>	<u>(14,976,425)</u>	<u>(118,059,503)</u>
Other financing sources (uses)							
Bonds issuance	119,566,531	(47,074,158)	72,492,373	120,010,017	47,799,978	-	72,210,039
Refunding issuance	-	-	-	43,410,000	-	-	43,410,000
Bond premium on refunding	-	-	-	2,912,272	-	-	2,912,272
Payments to escrow agent - refunding	-	-	-	(46,065,932)	-	-	(46,065,932)
Installment loan issuance	38,825,000	(23,710,000)	15,115,000	38,215,000	23,600,000	-	14,615,000
Transfers in	45,008,285	(4,079,821)	40,928,464	41,780,124	8,902,499	6,440,504	39,318,129
Transfers out	(2,559,887)	-	(2,559,887)	(8,752,669)	-	(328,502)	(9,081,171)
Appropriated fund balance	496,530	-	496,530	-	-	-	-
Total other financing sources (uses)	<u>201,336,459</u>	<u>(74,863,979)</u>	<u>126,472,480</u>	<u>191,508,812</u>	<u>80,302,477</u>	<u>6,112,002</u>	<u>117,318,337</u>
Excess of revenue and other financing sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,123,257</u>	<u>\$ -</u>	<u>(8,864,423)</u>	<u>\$ (741,166)</u>
Fund balance, beginning of year							
						8,123,257	
Fund balance, end of year						<u>\$ (741,166)</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

ORANGE COUNTY, NORTH CAROLINA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2004

ASSETS

	Property Revaluation	Community Development	School Capital Reserve	Section # Housing	Grant Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Housing	Library Development	Adoption Enhancement	Total Nonmajor Governmental Funds
Cash and investments	\$ 115,800	\$ 95,530	\$ 894,729	\$ -	\$ 176,090	\$ 1,215,272	\$ 206,307	\$ 178,739	\$ 7,909	\$ 134,853	\$ 174,950	\$ 3,290,269
Accounts receivable - property taxes, net	-	-	-	-	-	-	-	58,889	-	-	-	58,889
Accounts receivable - federal	-	-	-	252,534	-	-	-	-	-	-	-	252,534
Accounts receivable - state	-	-	-	-	34,638	13,534	-	-	-	-	-	38,162
Accounts receivable - assessments	-	-	-	-	12,748	39,752	99,168	-	-	-	-	151,668
Accounts receivable - other	-	-	-	-	-	-	-	-	1,260	-	-	1,260
TOTAL ASSETS	\$ 115,800	\$ 95,530	\$ 894,729	\$ 252,534	\$ 213,476	\$ 1,268,548	\$ 395,565	\$ 237,628	\$ 7,909	\$ 134,853	\$ 176,210	\$ 3,792,802

LIABILITIES AND FUND BALANCES

Liabilities	\$ 4,473	\$ 35,647	\$ -	\$ 4,937	\$ 27,755	\$ 9,861	\$ 19,757	\$ -	\$ -	\$ 134,853	\$ 18,039	\$ 235,322
Accounts payable	4,473	-	-	8,671	21,726	2,533	-	-	-	-	-	37,109
Payroll withholdings	-	-	-	142,384	-	-	-	-	-	-	2,680	145,064
Due to other funds	-	-	-	-	-	-	-	58,889	-	-	-	58,889
Deferred revenue	8,652	35,647	-	155,992	49,481	12,394	19,737	58,889	-	134,853	20,719	496,384
Fund balances	1,250	775	-	252,534	69,006	22,532	978	-	-	-	-	94,541
Reserved for encumbrances	-	-	-	-	37,386	53,276	99,168	-	-	-	1,260	413,641
Reserved for State statute	-	-	-	-	-	-	140,349	-	-	-	-	140,349
Disjointed for subsequent years expenditures	105,898	59,108	894,729	(155,992)	57,603	1,801,316	135,305	26,675	7,909	-	-	174,943
Undesignated	107,148	59,885	894,729	96,542	163,993	1,256,154	373,808	152,064	-	-	184,233	2,082,290
Total fund balances	\$ 115,800	\$ 95,530	\$ 894,729	\$ 252,534	\$ 213,476	\$ 1,268,548	\$ 395,565	\$ 237,628	\$ 7,909	\$ 134,853	\$ 176,210	\$ 3,792,802

**ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2004

	Property Revaluation	Community Development	School Capital Reserve	Section # Housing	Grants Projects	Emergency Telephone System	Visitors' Bureau	Local Fire Districts	Measure	Adoption Enhancement	Total Nonmajor Governmental Funds
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 391,875	\$ 2,134,897	\$ -	\$ -	\$ 2,526,772
Intergovernmental revenues	-	750,572	-	4,319,160	310,086	170,758	-	-	-	-	5,550,576
Charges for services	-	-	-	-	241,875	-	-	-	-	-	241,875
Investment earnings	-	-	7,437	122	-	9,176	3,063	1,355	144	931	22,230
Miscellaneous	-	64,380	-	-	-	377,733	125,935	11,111	-	83,655	662,814
Total revenues	-	814,952	7,437	4,319,282	551,961	557,667	520,875	2,147,363	144	84,586	9,001,267
Expenditures											
Current											
Community maintenance	146,919	-	-	4,320,425	550,269	-	598,314	-	-	-	5,615,927
Human services	-	-	-	-	-	-	-	-	-	6,078	6,078
Public safety	-	-	-	-	225,610	414,189	-	2,170,021	-	-	2,806,820
Public works	-	1,037,243	-	-	-	-	-	-	-	-	1,037,243
Total expenditures	146,919	1,037,243	-	4,320,425	775,879	414,189	598,314	2,170,021	-	6,078	9,466,068
Excess (deficiency) of revenues over (under) expenditures	(146,919)	(222,291)	7,437	(1,143)	(220,918)	143,478	(77,439)	(22,658)	144	78,508	(461,801)
Other financing sources (uses)											
Transfers in	193,277	78,000	-	-	98,780	-	-	-	-	-	370,057
Transfers out	-	-	(65,000)	-	-	-	-	-	-	-	(65,000)
Total other financing sources (uses)	193,277	78,000	(65,000)	-	98,780	-	-	-	-	-	305,057
Net change in fund balances	46,358	(144,291)	(37,563)	(1,143)	(122,138)	143,478	(77,439)	(22,658)	144	78,508	(156,744)
Fund balances - beginning	60,790	204,174	952,292	97,685	286,133	1,112,676	453,247	201,397	7,765	77,803	3,453,162
Fund balances - ending	107,148	59,883	894,729	96,542	163,995	1,256,154	375,808	178,739	7,909	155,511	3,296,418

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, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004			2003 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ 435
Expenditures				
Community maintenance				
Property revaluation				
Personal services	185,380	142,834	42,546	91,755
Operations	125,117	4,085	121,032	12,420
Total expenditures	<u>310,497</u>	<u>146,919</u>	<u>163,578</u>	<u>104,175</u>
Excess (deficiency) of revenues over expenditures	<u>(310,497)</u>	<u>(146,919)</u>	<u>163,578</u>	<u>(103,740)</u>
Other financing sources				
Transfers in	193,277	193,277	-	85,000
Appropriated fund balance	117,220	-	(117,220)	-
Total other financing sources (uses)	<u>310,497</u>	<u>193,277</u>	<u>(117,220)</u>	<u>85,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>46,358</u>	<u>\$ 46,358</u>	<u>(18,740)</u>
Fund balance, beginning of year		<u>60,790</u>		<u>79,530</u>
Fund balance, end of year		<u>\$ 107,148</u>		<u>\$ 60,790</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, 2004

	Budget to Date	Reported in Prior Years	Actual Current Year	Total to Date
Revenues				
HUD Grants	\$ 3,995,792	\$ 2,944,255	\$ 692,839	\$ 3,637,094
CDBG grants:				
Richmond Hills	250,000	250,000	-	250,000
Scattered Site	400,000	342,267	57,733	400,000
HOME partnership	803,600	803,600	-	803,600
IDA	40,000	7,415	-	7,415
Investment earnings	1,000	7,561	-	7,561
Program income - HOME	-	314,044	64,380	378,424
Other	159,830	137,111	-	137,111
Total revenues	<u>5,650,222</u>	<u>4,806,253</u>	<u>814,952</u>	<u>5,621,205</u>
Expenditures				
Public works				
Administration	698,377	378,492	159,493	537,985
Administration - Richmond Hills	250,000	250,000	-	250,000
Administration - Scattered Site	40,000	37,874	1,006	38,880
Administration - IDA	80,000	14,915	11,162	26,077
Rehabilitation	2,790,778	2,415,241	430,526	2,845,767
Rehabilitation - HOME partnership	453,600	459,133	-	459,133
Rehabilitation - Scattered Site	360,000	305,593	54,149	359,742
Affordable housing - Impact fee reimbursement	2,002,015	1,794,432	380,907	2,175,339
Affordable housing - HOME partnership	150,000	143,500	-	143,500
Public facilities improvement - HOME partnership	200,000	197,098	-	197,098
Total expenditures	<u>7,024,770</u>	<u>5,996,278</u>	<u>1,037,243</u>	<u>7,033,521</u>
Deficiency of revenues over expenditures	<u>(1,374,548)</u>	<u>(1,190,025)</u>	<u>(222,291)</u>	<u>(1,412,316)</u>
Other financing sources (uses)				
Transfers in	1,451,582	1,445,199	78,000	1,523,199
Transfers out	(91,000)	(51,000)	-	(51,000)
Appropriated fund balance	13,966	-	-	-
Total other financing sources	<u>1,374,548</u>	<u>1,394,199</u>	<u>78,000</u>	<u>1,472,199</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 204,174</u>	<u>(144,291)</u>	<u>\$ 59,883</u>
Fund balance, beginning of year			<u>204,174</u>	
Fund balance, end of year			<u>\$ 59,883</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, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004			2003 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Investment earnings	\$ -	\$ 7,437	\$ 7,437	\$ 14,982
Other financing (uses)				
Transfer out	-	(65,000)	(65,000)	(530,000)
Deficiency of revenues over other financing uses	<u>\$ -</u>	<u>(57,563)</u>	<u>\$ (57,563)</u>	<u>(515,018)</u>
Fund balance, beginning of year		<u>952,292</u>		<u>1,467,310</u>
Fund balance, end of year		<u>\$ 894,729</u>		<u>\$ 952,292</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, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004			2003 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Federal grants				
Housing vouchers	\$ 4,319,160	\$ 4,319,160	\$ -	\$ 4,108,240
Investment earnings	-	122	122	179
Total revenues	<u>4,319,160</u>	<u>4,319,282</u>	<u>122</u>	<u>4,108,419</u>
Expenditures				
Community maintenance				
Housing vouchers				
Administration	381,132	371,819	9,313	319,338
Assistance payments	3,938,028	3,948,606	(10,578)	3,768,637
Total expenditures	<u>4,319,160</u>	<u>4,320,425</u>	<u>(1,265)</u>	<u>4,087,975</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>(1,143)</u>	<u>\$ (1,143)</u>	<u>20,444</u>
Fund balance, beginning of year		<u>97,685</u>		<u>77,241</u>
Fund balance, end of year		<u>\$ 96,542</u>		<u>\$ 97,685</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, 2004

	Budget to Date	Actual			Total to Date
		Reported in Prior Years	Closed Projects	Current Year	
Revenues					
Social Services Grants	\$ 293,598	\$ 248,233	\$ -	\$ -	\$ 248,233
Health Grants	2,627,794	1,864,778	-	172,857	2,037,635
Cooperative extension	248,171	93,378	-	-	93,378
Aging	473,526	398,808	-	122,715	521,523
Hazard mitigation grant	494,057	410,643	-	-	410,643
Sheriff	2,548,272	2,027,646	-	185,347	2,212,993
Planning	351,871	166,236	-	71,042	237,278
Library	15,113	14,971	-	-	14,971
Total revenues	7,052,402	5,224,693	-	551,961	5,776,654
Expenditures					
Community maintenance					
Personal services	33,182	-	-	-	-
Operating	1,170	3,540	-	4,590	8,130
Social services					
Personal services	237,926	84,329	-	-	84,329
Operating	55,672	57,578	-	-	57,578
Health					
Personal services	2,006,348	1,313,150	-	321,079	1,634,229
Operating	755,706	451,520	-	27,659	479,179
Cooperative extension					
Personal services	126,169	122,842	-	16,058	138,900
Operating	122,002	46,170	-	60	46,230
Aging					
Personal services	239,327	212,151	-	59,980	272,131
Operating	234,199	202,704	-	52,023	254,727
EMS					
Personal services	90,631	40,829	-	46,953	87,782
Operating	841,706	517,438	-	221,516	738,954
Sheriff					
Personal services	2,061,391	2,261,214	-	-	2,261,214
Operating	555,180	46,854	-	1,094	47,948
Planning					
Personal services	306,777	165,297	-	-	165,297
Operating	292,199	261,347	-	17,149	278,496
Library					
Operating	15,113	7,801	-	4,718	12,519
Total expenditures	7,974,698	5,794,764	-	772,879	6,567,643
(Deficiency) of revenues over expenditures	(922,296)	(570,071)	-	(220,918)	(790,989)
Other financing sources					
Transfers in	922,296	856,204	-	98,780	954,984
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 286,133	\$ -	(122,138)	\$ 163,995
Fund balance, beginning of year				286,133	
Fund balance, end of year				\$ 163,995	

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, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004		Positive (Negative) Variance	2003 Actual
	Budget	Actual		
Revenues				
State wireless enhanced 911	\$ 133,725	\$ 170,758	\$ 37,033	\$ 185,061
Investment earnings	-	9,176	9,176	10,474
Subscriber fees	361,535	377,733	16,198	341,537
Total revenues	<u>495,260</u>	<u>557,667</u>	<u>62,407</u>	<u>537,072</u>
Expenditures				
Personal services	92,924	99,018	(6,094)	62,666
Operations	388,851	301,411	87,440	235,598
Capital outlay	42,916	13,760	29,156	67,829
Total expenditures	<u>524,691</u>	<u>414,189</u>	<u>110,502</u>	<u>366,093</u>
Excess (deficiency) of revenues over expenditures	<u>(29,431)</u>	<u>143,478</u>	<u>172,909</u>	<u>170,979</u>
Other financing sources				
Appropriated fund balance	29,431	-	(29,431)	-
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>143,478</u>	<u>\$ 143,478</u>	<u>170,979</u>
Fund balance, beginning of year		<u>1,112,676</u>		<u>941,697</u>
Fund balance, end of year		<u>\$ 1,256,154</u>		<u>\$ 1,112,676</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, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004		Variance - Positive (Negative)	2003 Actual
	Budget	Actual		
Revenues				
Occupancy tax	\$ 440,000	\$ 391,875	\$ (48,125)	\$ 440,922
Investment earnings	5,000	3,065	(1,935)	5,171
Other	88,081	125,935	37,854	91,385
Total revenues	<u>533,081</u>	<u>520,875</u>	<u>(12,206)</u>	<u>537,478</u>
Expenditures				
Community maintenance				
Operations	358,924	309,898	49,026	363,235
Personal services	310,215	283,161	27,054	291,612
Capital outlay	5,280	5,255	25	21,041
Total expenditures	<u>674,419</u>	<u>598,314</u>	<u>76,105</u>	<u>675,888</u>
Excess (deficiency) of revenues over expenditures	<u>(141,338)</u>	<u>(77,439)</u>	<u>63,899</u>	<u>(138,410)</u>
Other financing sources				
Appropriated fund balance	<u>141,338</u>	<u>-</u>	<u>(141,338)</u>	<u>-</u>
Deficiency of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(77,439)</u>	<u>\$ (77,439)</u>	<u>(138,410)</u>
Fund balance, beginning of year		<u>453,247</u>		<u>591,657</u>
Fund balance, end of year		<u>\$ 375,808</u>		<u>\$ 453,247</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - LOCAL FIRE DISTRICTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004		Variance - Positive (Negative)	2003 Actual
	Budget	Actual		
Revenues				
Property taxes - current	\$ 2,128,920	\$ 2,102,895	\$ (26,025)	\$ 1,799,813
Property taxes - delinquent	27,148	32,002	4,854	32,204
Investment earnings	6,176	1,355	(4,821)	2,376
Other	-	11,111	11,111	-
Total revenues	<u>2,162,244</u>	<u>2,147,363</u>	<u>(14,881)</u>	<u>1,834,393</u>
Expenditures				
Public safety				
Remittances to fire districts	2,170,021	2,170,021	-	1,916,813
(Deficiency) of revenues over expenditures	<u>(7,777)</u>	<u>(22,658)</u>	<u>(14,881)</u>	<u>(82,420)</u>
Other financing sources				
Appropriated fund balance	7,777	-	(7,777)	-
(Deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>(22,658)</u>	<u>\$ (22,658)</u>	<u>(82,420)</u>
Fund balance, beginning of year		<u>201,397</u>		<u>283,817</u>
Fund balance, end of year		<u>\$ 178,739</u>		<u>\$ 201,397</u>

ORANGE COUNTY, NORTH CAROLINA
HEUSNER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004		Variance - Positive (Negative)	Actual 2003
	Budget	Actual		
Revenues				
Investment earnings	\$ -	\$ 144	\$ 144	\$ -
Excess of revenues over expenditures	<u>\$ -</u>	<u>144</u>	<u>\$ 144</u>	<u>-</u>
Fund balance, beginning of year		<u>7,765</u>		<u>7,765</u>
Fund balance, end of year		<u>\$ 7,909</u>		<u>\$ 7,765</u>

ORANGE COUNTY, NORTH CAROLINA
SPECIAL REVENUE - ADOPTION ENHANCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

	Actual			
	Budget to Date	Reported in Prior Year	Current Year	Total to Date
Revenues				
Investment earnings	\$ -	\$ 68	\$ 931	\$ 999
Other	(4,437)	23,196	83,655	106,851
Total revenues	<u>(4,437)</u>	<u>23,264</u>	<u>84,586</u>	<u>107,850</u>
Expenditures				
Adoption enhancement	72,508	23,206	6,078	29,284
Excess (deficiency) of revenues over expenditures	<u>(76,945)</u>	<u>58</u>	<u>78,508</u>	<u>78,566</u>
Other financing sources				
Transfer from other funds	76,945	76,945	-	76,945
Excess over revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 77,003</u>	<u>78,508</u>	<u>\$ 155,511</u>
Fund balance, beginning of year			<u>77,003</u>	
Fund balance, end of year			<u>\$ 155,511</u>	

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MAJOR FUNDS

ENTERPRISE FUNDS

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

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.

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.

ORANGE COUNTY, NORTH CAROLINA
SOLID WASTE LANDFILL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004			2003 Actual
	Budget	Actual	Positive (Negative) Variance	
Revenues				
Landfill fees	\$ 3,702,400	\$ 3,889,014	\$ 186,614	\$ 4,274,912
Recycling	272,500	357,814	85,314	221,737
Mulch sales	87,500	132,264	44,764	69,464
Grants - State	192,558	191,750	(808)	299,083
Other	1,260	1,546	286	1,373
Gain on disposal of fixed assets	-	-	-	1,250
Investment earnings	75,000	28,182	(46,818)	36,174
Total revenues	<u>4,331,218</u>	<u>4,600,570</u>	<u>269,352</u>	<u>4,903,993</u>
Expenditures				
Administration	777,780	680,026	97,754	565,207
Landfill	1,996,714	1,883,219	113,495	3,779,911
Recycling	2,774,663	2,070,793	703,870	2,009,617
Contract service recycling	-	-	-	-
Contract services	607,886	352,854	255,032	433,805
Post closing cost	-	127,114	(127,114)	266,530
Total expenditures	<u>6,157,043</u>	<u>5,114,006</u>	<u>1,043,037</u>	<u>7,055,070</u>
Excess (deficiency) of revenues over expenditures	<u>(1,825,825)</u>	<u>(513,436)</u>	<u>1,312,389</u>	<u>(2,151,077)</u>
Other financing sources (uses)				
Appropriated fund balance	1,723,835	-	(1,723,835)	-
Installment purchase contract issuance	613,794	613,794	-	1,365,043
Debt service - principal	(327,734)	(270,174)	57,560	-
Debt service - interest	-	(29,207)	(29,207)	-
Transfers out	(184,070)	(184,070)	-	(179,009)
Total other financing sources (uses)	<u>1,825,825</u>	<u>130,343</u>	<u>(1,695,482)</u>	<u>1,186,034</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (383,093)</u>	<u>\$ (383,093)</u>	<u>\$ (965,043)</u>
Reconciliation of modified accrual basis to full accrual basis				
Land Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ (383,093)		\$ (965,043)
Reconciling items -				
Capital outlay		498,024		2,332,224
Depreciation		(810,998)		(760,617)
Debt service		270,174		-
Installment purchase contract issuance		(613,794)		(1,365,043)
CHANGE IN NET ASSETS		<u>\$ (1,039,687)</u>		<u>\$ (758,479)</u>

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER OPERATING FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS)
Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004		Positive (Negative) Variance	2003 Actual
	Budget	Actual		
Revenues				
Service fees	\$ 45,000	\$ 49,826	\$ 4,826	\$ 67,333
Interest on investments	1,000	651	(349)	911
Total Revenues	<u>46,000</u>	<u>50,477</u>	<u>4,477</u>	<u>68,244</u>
Expenditures				
Operations	<u>203,747</u>	<u>200,080</u>	<u>3,667</u>	<u>123,968</u>
Excess (deficiency) of revenues over expenditures	<u>(157,747)</u>	<u>(149,603)</u>	<u>8,144</u>	<u>(55,724)</u>
Other financing sources				
Appropriated fund balance	20,247	-	(20,247)	-
Transfers in	<u>137,500</u>	<u>137,500</u>	<u>-</u>	<u>64,000</u>
Total other financing sources (uses)	<u>157,747</u>	<u>137,500</u>	<u>(20,247)</u>	<u>64,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ (12,103)</u>	<u>\$ (12,103)</u>	<u>\$ 8,276</u>
Reconciliation of modified accural basis to full accural basis				
Efland Sewer Operating Fund - Excess of revenues and other financing sources over expenditures		\$ (12,103)		\$ 8,276
Reconciling items - Depreciation		<u>(37,070)</u>		<u>(37,070)</u>
Change in net assets		<u>\$ (49,173)</u>		<u>\$ (28,794)</u>

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
 From Inception and for the Year Ended June 30, 2004

	Authorizations		Actual			
	Total July 1, 2003	Current Year Increase (Decrease)	Total June 30, 2004	Reported in Prior Years	Current Year	Total to Date
Revenues						
FmHA grant	\$ 763,387	\$ -	\$ 763,387	\$ 1,176,216	\$ -	\$ 1,176,216
Senate Bill 2 funds	412,829	-	412,829	-	-	-
North Carolina Clean Water Bond grant	-	-	-	-	-	-
Investment earnings	-	-	-	14,970	-	14,970
Gain on retirement of debt	-	-	-	81,764	-	81,764
Tap fees	-	-	-	1,200	-	1,200
Total revenues	1,176,216	-	1,176,216	1,274,150	-	1,274,150
Expenditures						
Construction - in - progress						
Construction	1,251,645	-	1,251,645	1,230,734	-	1,230,734
Engineering and architectural fees	205,000	-	205,000	222,214	-	222,214
Legal and fiscal	-	-	-	-	-	-
Capitalized interest	12,000	-	12,000	22,169	-	22,169
Contingency	63,000	-	63,000	-	-	-
	1,531,645	-	1,531,645	1,475,117	-	1,475,117
Land and right - of - way	10,000	-	10,000	5,990	-	5,990
Legal fees for right - of - way	26,000	-	26,000	46,946	-	46,946
Tap fees	15,000	-	15,000	28,305	-	28,305
Bond retirement costs	-	-	-	-	-	-
Total expenditures	1,582,645	-	1,582,645	1,556,358	-	1,556,358

(Continued)

ORANGE COUNTY, NORTH CAROLINA
EFLAND SEWER CONSTRUCTION FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) (Concluded)
From Inception and for the Year Ended June 30, 2004

	Authorizations				Total to Date
	Actual		Reported in Prior Years	Current Year	
	Total July 1, 2003	Current Year Increase (Decrease)			
Deficiency of revenues over expenditures	(406,429)	-	(282,208)	-	(282,208)
Other financing sources (uses)					
Bond issuance	200,000	-	200,000	-	200,000
Transfers in	212,829	-	211,000	-	211,000
Transfers out	(6,400)	-	(6,400)	-	(6,400)
Total other financing sources (uses)	406,429	-	404,600	-	404,600
Excess of revenues and other financing sources over expenditures over other financing sources	\$ -	\$ -	\$ 122,392	\$ -	\$ 122,392

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ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2004

ASSETS

	School District	Senior Center	Cooperative Extension 4-H	Hyconteeche Regional Library	No Fault Well Repair	Communication Tower Trust Fund	Totals
Cash and investments	\$ 179,388	\$ -	\$ 112,059	\$ 1,204	\$ 95,842	\$ 12,247	\$ 400,740
Accounts receivable - property taxes, net	153,840	-	-	-	-	-	153,840
Accounts receivable - other	-	-	7,988	17,507	39,808	-	65,303
TOTAL ASSETS	\$ 333,228	\$ -	\$ 120,047	\$ 18,711	\$ 135,650	\$ 12,247	\$ 619,883

LIABILITIES

Accounts payable	\$ 333,228	\$ -	\$ 13,815	\$ 14,001	\$ 135,650	\$ 12,247	\$ 508,941
Due to library	-	-	-	4,710	-	-	4,710
Due to cooperative extension	-	-	106,232	-	-	-	106,232
TOTAL LIABILITIES	\$ 333,228	\$ -	\$ 120,047	\$ 18,711	\$ 135,650	\$ 12,247	\$ 619,883

ORANGE COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
 June 30, 2004

	July 1, 2003	Additions	Deductions	July 1, 2004
<u>SCHOOL DISTRICT FUND:</u>				
Assets				
Cash and investments	\$ 170,636	\$ 12,723,454	\$ 12,714,702	\$ 179,388
Accounts receivable - property taxes, net	163,602	12,713,692	12,723,454	153,840
Total assets	\$ 334,238	\$ 25,437,146	\$ 25,438,156	\$ 333,228
Liabilities				
Accounts payable	\$ 334,238	\$ 25,437,146	\$ 25,438,156	\$ 333,228
Total liabilities	\$ 334,238	\$ 25,437,146	\$ 25,438,156	\$ 333,228
<u>SENIOR CENTER FUND</u>				
Assets				
Cash and investments	\$ -	\$ 39,340	\$ 39,340	\$ -
Total assets	\$ -	\$ 39,340	\$ 39,340	\$ -
Liabilities				
Accounts payable	\$ -	\$ 39,340	\$ 39,340	\$ -
Total liabilities	\$ -	\$ 39,340	\$ 39,340	\$ -
<u>COOPERATIVE EXTENSION 4-H FUND</u>				
Assets				
Cash and investments	\$ 123,292	\$ 54,675	\$ 65,908	\$ 112,059
Accounts receivable - other	-	7,988	-	7,988
Total assets	\$ 123,292	\$ 62,663	\$ 65,908	\$ 120,047
Liabilities				
Accounts payable	\$ 34,410	\$ 13,815	\$ 34,410	\$ 13,815
Due to cooperative extension	88,882	106,232	88,882	106,232
Total liabilities	\$ 123,292	\$ 120,047	\$ 123,292	\$ 120,047
<u>HYCONEECHEE REGIONAL LIBRARY FUND</u>				
Assets				
Cash and investments	\$ 2,591	\$ 524,529	\$ 525,916	\$ 1,204
Accounts receivable - other	4,758	17,507	4,758	17,507
Total assets	\$ 7,349	\$ 542,036	\$ 530,674	\$ 18,711
Liabilities				
Accounts payable	\$ 5,127	\$ 14,001	\$ 5,127	\$ 14,001
Due to library	2,222	528,035	525,547	4,710
Total liabilities	\$ 7,349	\$ 542,036	\$ 530,674	\$ 18,711
<u>NO FAULT WELL REPAIR</u>				
Assets				
Cash and investments	\$ 92,822	\$ 3,020	\$ -	\$ 95,842
Accounts receivable - other	27,202	39,808	27,202	39,808
Total assets	\$ 120,024	\$ 42,828	\$ 27,202	\$ 135,650
Liabilities				
Accounts payable	\$ 120,024	\$ 42,828	\$ 27,202	\$ 135,650
Total liabilities	\$ 120,024	\$ 42,828	\$ 27,202	\$ 135,650
<u>COMMUNICATION TOWER TRUST FUND</u>				
Assets				
Cash and investments	\$ 21,035	\$ 29,659	\$ 38,447	\$ 12,247
Total assets	\$ 21,035	\$ 29,659	\$ 38,447	\$ 12,247
Liabilities				
Accounts payable	\$ 21,035	\$ 29,659	\$ 38,447	\$ 12,247
Total liabilities	\$ 21,035	\$ 29,659	\$ 38,447	\$ 12,247
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 410,376	\$ 13,374,677	\$ 13,384,313	\$ 400,740
Accounts receivable - property taxes, net	163,602	12,713,692	12,723,454	153,840
Accounts receivable - other	31,960	65,303	31,960	65,303
Total assets	\$ 605,938	\$ 26,153,672	\$ 26,139,727	\$ 619,883
Liabilities				
Accounts payable	\$ 514,834	\$ 25,576,789	\$ 25,582,682	\$ 508,941
Due to library	2,222	528,035	525,547	4,710
Due to cooperative extension	88,882	106,232	88,882	106,232
Total liabilities	\$ 605,938	\$ 26,211,056	\$ 26,197,111	\$ 619,883

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2004 and 2003

	2004	2003
Governmental funds capital assets:		
Land	\$ 8,628,995	\$ 8,686,112
Buildings	26,326,261	26,326,261
Water resources - Lake Orange	481,624	481,624
Automotive equipment	6,705,546	6,060,310
Office and other equipment	2,953,971	2,829,811
Equipment under capital lease	19,450	19,450
Construction-in-progress	7,493,448	6,339,267
Total governmental funds capital assets	\$ 52,609,295	\$ 50,742,835
Investment in governmental funds capital assets by source:		
Revenue sources prior to July 1, 1984	\$ 3,311,826	\$ 3,311,826
General Fund	36,177,140	35,464,861
Capital Projects Fund		
Federal grants	2,000,000	2,000,000
State grants	684,706	684,706
Local grants	76,078	76,078
Bond proceeds	10,359,545	9,205,364
Total governmental funds capital assets	\$ 52,609,295	\$ 50,742,835

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Continued)
 June 30, 2004

Function and Activity	Land	Buildings	Water Resources	Automotive Equipment	Office and Other Equipment	Total
General Government						
Community Maintenance						
Elections	\$ -	\$ -	\$ -	\$ -	\$ 273,565	\$ 273,565
Register of deeds	-	-	-	-	327,672	327,672
Low-income housing	-	-	-	-	6,818	6,818
Total community maintenance	-	-	-	-	608,055	608,055
General Administration						
Tax collector	-	-	-	-	5,987	5,987
Purchasing/central services	-	26,326,261	-	-	70,031	26,396,292
Tax supervisor	-	-	-	13,853	6,000	19,853
Land records	-	-	-	11,569	209,911	221,480
Information systems	-	-	-	-	1,058,441	1,058,441
Planning	-	-	-	183,982	56,815	240,797
Environment resource conservation	-	-	-	15,283	-	15,283
Budget	-	-	-	-	6,789	6,789
Animal Shelter	-	-	-	15,400	20,307	35,707
Visitor's Bureau	-	-	-	-	5,860	5,860
Total general administration	-	26,326,261	-	240,087	1,440,141	28,006,489
Human Services						
Social services	-	-	-	150,293	84,659	234,952
Health	-	-	-	313,157	160,550	473,707
Cooperative extension	-	-	-	21,236	-	21,236
Aging	-	-	-	1,483,636	15,454	1,499,090
Recreation and parks	8,628,995	-	-	128,814	27,696	8,785,505
Human rights and relations	-	-	-	-	6,675	6,675
Library	-	-	-	28,223	24,645	52,868
Total human services	8,628,995	-	-	2,125,359	319,679	11,074,033

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Concluded)
 June 30, 2004

Function and Activity	Land	Buildings	Water Resources	Automotive Equipment	Office and Other Equipment	Total
Public Safety						
Sheriff	\$ -	\$ -	\$ -	\$ 2,252,361	\$ 29,382	\$ 2,281,743
Emergency services	-	-	-	1,001,754	422,020	1,423,774
Total public safety	-	-	-	3,254,115	451,402	3,705,517
Public Works						
Building and grounds	-	-	-	245,407	90,785	336,192
Motor pool	-	-	-	261,137	32,116	293,253
Sanitation	-	-	-	579,625	11,609	591,234
Water and sewer improvements	-	-	481,624	-	-	481,624
Total public works	-	-	481,624	1,086,169	134,510	1,702,303
Total fixed assets allocated to functions	\$ 8,628,995	\$ 26,326,261	\$ 481,624	\$ 6,705,730	\$ 2,953,787	45,096,397
Equipment under capital leases						19,450
Construction-in-progress						7,493,448
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS						<u>\$ 52,609,295</u>

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

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (Continued)
Year Ended June 30, 2004

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Additions/ Transfers	Retirements/ Transfers	Governmental Funds Capital Assets June 30, 2004
General Government				
Community Maintenance				
Elections	\$ 273,565	\$ -	\$ -	\$ 273,565
Register of deeds	319,670	8,002	-	327,672
Low-income housing	6,818	-	-	6,818
Total community maintenance	<u>600,053</u>	<u>8,002</u>	<u>-</u>	<u>608,055</u>
General Administration				
Tax collector	6,026	-	39	5,987
Purchasing/central services	56,469	26,339,823	-	26,396,292
Tax supervisor	19,853	-	-	19,853
Land records	221,480	-	-	221,480
Information systems	1,058,441	-	-	1,058,441
Planning	203,798	36,999	-	240,797
Environment resource conservation	-	15,283	-	15,283
Budget	6,789	-	-	6,789
Animal Shelter	-	35,707	-	35,707
Visitor's Bureau	490,860	-	485,000	5,860
Total general administration	<u>2,063,716</u>	<u>26,427,812</u>	<u>485,039</u>	<u>28,006,489</u>
Human Services				
Social services	219,889	15,063	-	234,952
Health	408,726	64,981	-	473,707
Cooperative extension	21,326	-	90	21,236
Aging	1,313,104	185,986	-	1,499,090
Recreation and parks	8,875,274	84,059	173,828	8,785,505
Human rights and relations	6,675	-	-	6,675
Library	52,868	-	-	52,868
Total human services	<u>10,897,862</u>	<u>350,089</u>	<u>173,918</u>	<u>11,074,033</u>

ORANGE COUNTY, NORTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (Concluded)
Year Ended June 30, 2004

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Additions/ Transfers	Retirements/ Transfers	Governmental Funds Capital Assets June 30, 2004
Public Safety				
Sheriff	\$ 1,992,342	\$ 289,401	\$ -	\$ 2,281,743
Emergency services	1,423,774	-	-	1,423,774
Total public safety	<u>3,416,116</u>	<u>289,401</u>	<u>-</u>	<u>3,705,517</u>
Public Works				
Building and grounds	25,983,088	20,537	25,667,433	336,192
Motor pool	293,253	-	-	293,253
Sanitation	591,289	-	55	591,234
Water resources	538,741	-	57,117	481,624
Total public works	<u>27,406,371</u>	<u>20,537</u>	<u>25,724,605</u>	<u>1,702,303</u>
Total capital assets allocated to functions	44,384,118	27,095,841	26,383,562	45,096,397
Equipment under capital lease	19,450	-	-	19,450
Construction-in-progress (including installment note payable)	<u>6,339,267</u>	<u>1,154,181</u>	<u>-</u>	<u>7,493,448</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 50,742,835</u>	<u>\$ 28,250,022</u>	<u>\$ 26,383,562</u>	<u>\$ 52,609,295</u>

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

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2004

Fiscal Year	Uncollected Balance June 30, 2003	Additions	Collections and Credits	Discoveries Abatements Adjustments	Uncollected Balance June 30, 2004
2003	\$ -	\$ 82,444,007	\$ (81,398,098)	\$ -	\$ 1,045,909
2002	1,086,591		(749,200)	(41,576)	295,815
2001	280,746	-	(112,730)	(6,048)	161,968
2000 and prior	1,071,342	-	(111,152)	1,107	961,297
	<u>\$ 2,438,679</u>	<u>\$ 82,444,007</u>	<u>\$ (82,371,180)</u>	<u>\$ (46,517)</u>	2,464,989
Less: Allowance for doubtful accounts					<u>(896,918)</u>
Ad Valorem taxes, net					<u>\$ 1,568,071</u>
<u>Reconcilement with Revenues:</u>					
Property taxes - General Fund			\$ 82,314,040		
Reconciling items:					
Releases and adjustments			57,140		
			<u>\$ 82,371,180</u>		

ORANGE COUNTY, NORTH CAROLINA
SCHEDULE OF CURRENT TAX LEVY
 Year Ended June 30, 2004

Levy*	Property Valuation	Rate Per \$100	Amount of Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current year rate	\$ 9,454,752,067	0.00845	\$ 80,048,083	\$ 75,839,137	\$ 4,208,946
Motor vehicles taxed at prior year rate	280,430,049	0.00830	2,327,569	59,648	2,327,569
Late list penalties	-	-	59,648	8,707	-
Lien advertisement	-	-	8,707	-	-
	<u>\$ 9,735,182,116</u>		82,444,007	75,907,492	6,536,515
Uncollected taxes at June 30, 2003			1,045,909	597,978	447,931
Current year taxes collected			<u>\$ 81,398,098</u>	<u>\$ 75,309,514</u>	<u>\$ 6,088,584</u>
Current year collection percentages			<u>98.73%</u>	<u>99.21%</u>	<u>93.15%</u>

* Levy includes 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.

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

Year Ended June 30,	Community Maintenance (1)	General Administration (2)	Human Services (3)	Education	Public Safety	Public Works	Capital Projects	General Debt Service	Total
1994	\$ 700,251	\$ 5,752,807	\$ 17,176,046	\$ 18,758,306	\$ 6,867,109	\$ 2,681,639	\$ 16,045,058	\$ 5,606,265	\$ 73,587,481
1995	712,461	6,257,670	18,181,187	20,598,062	7,623,092	2,474,560	20,505,401	6,404,390	82,756,823
1996	770,840	6,394,794	18,053,874	22,675,309	7,685,974	2,665,061	30,806,355	9,191,297	98,243,504
1997	764,934	7,001,174	19,256,582	26,228,574	8,345,625	2,725,322	19,886,546	9,298,512	93,507,269
1998	814,929	7,121,067	20,408,133	29,054,364	9,156,424	2,885,495	14,016,260	9,825,704	93,282,376
1999	944,336	7,171,834	22,108,243	32,372,172	9,463,211	3,119,562	25,847,024	10,430,148	111,456,530
2000	1,134,061	8,195,750	23,309,418	36,580,779	10,088,692	3,602,318	22,747,801	10,175,744	115,834,563
2001	1,106,232	8,693,630	26,174,165	40,493,653	11,336,129	3,754,676	35,320,418	13,526,003	140,404,906
2002	1,155,060	9,679,855	28,460,802	43,008,464	12,306,077	3,913,179	35,406,138	15,370,851	149,300,426
2003	1,137,855	11,837,714	27,771,834	44,150,357	13,345,185	4,134,290	24,427,047	16,209,217	143,013,499
2004	1,185,798	13,177,663	30,377,646	46,461,682	15,520,341	5,348,704	20,903,526	17,059,205	150,034,565

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

(2) Includes Tax and Records and Community Planning and General Administration.

(3) Includes Non-Departmental Outside Agencies.

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

Fiscal Year Ended June 30,	Intergovernmental Revenues	Charges for Services	Investment Earnings	Licenses and Permits	Other		Total
					Revenue	Revenue	
1995	\$ 9,135,066	\$ 2,656,183	\$ 2,835,291	\$ 632,582	\$ 733,315	\$	15,992,437
1996	9,062,272	3,102,626	2,172,264	648,421	299,549		15,285,132
1997	12,150,467	3,234,755	1,615,758	754,737	339,688		18,095,405
1998	12,060,806	4,005,881	1,995,052	783,743	547,697		19,393,179
1999	19,864,982	4,796,405	1,671,487	916,190	646,508		27,895,572
2000	18,167,905	4,842,139	2,176,880	921,266	494,045		26,602,235
2001	14,154,558	5,178,188	3,422,004	974,966	992,469		24,722,185
2002	13,766,636	5,719,317	1,427,208	1,222,652	993,437		23,129,250
2003	12,416,258	6,632,968	500,840	1,181,198	1,806,865		22,538,129
2004	13,813,500	6,455,916	375,268	1,360,384	1,397,098		23,402,166

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

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

Tax Year	Year Ended June 30,	Current* Adjusted Tax Levy	Current Years Levy Collections	Percentage Collected	Prior Years Levy Collections	Total Collections During Year	Percent of Total Collections to Adjusted Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Adjusted Tax Levy
1994	1995	\$ 47,660,208	\$ 46,690,869	97.97	\$ 865,106	\$ 47,555,975	99.78	\$ 1,191,977	2.50
1995	1996	52,456,250	51,585,186	98.34	854,265	52,439,451	99.97	1,111,266	2.12
1996	1997	59,251,135	58,139,694	98.12	682,142	58,821,836	99.28	1,860,150	3.14
1997	1998	65,368,175	64,309,207	98.38	945,593	65,254,801	99.83	1,933,364	2.96
1998	1999	70,316,839	69,421,430	98.73	944,342	70,365,772	99.93	2,054,195	2.92
1999	2000	76,489,429	75,287,744	98.42	951,204	76,238,948	99.67	2,358,799	3.08
2000	2001	80,576,790	79,356,027	98.48	1,121,114	80,477,141	99.87	2,400,709	2.98
2001	2002	87,980,261	86,794,380	98.65	996,708	87,791,088	99.78	2,512,868	2.86
2002	2003	92,190,830	90,917,919	98.61	1,069,986	91,987,905	99.78	2,629,499	2.85
2003	2004	82,444,007	81,398,098	98.73	973,082	82,371,180	99.91	2,464,989	2.99

*Tax Levy includes special districts.

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

Fiscal Year Ended June 30,	Tax Year Ended December 31,	Real Property			Personal Property		Public Service Companies		Total Assessed Value	Ratio Assessed Value to Estimated Actual Value
		Property	Property	Property	Property	Companies	Companies			
1995	1994	\$ 3,918,913,816	\$ 634,450,498	\$ 159,077,974				\$ 4,712,442,288	100%	
1996	1995	4,078,041,951	647,507,666	162,053,967				4,887,603,584	100%	
1997	1996	4,237,404,257	743,930,770	170,536,933				5,151,871,960	100%	
1998	1997	5,361,329,887	851,073,083	176,543,720				6,388,946,690	100%	
1999	1998	5,598,601,920	924,149,804	184,438,796				6,707,190,520	100%	
2000	1999	5,866,262,585	969,221,679	190,464,397				7,025,948,661	100%	
2001	2000	6,153,059,801	1,003,565,338	207,177,982				7,363,803,121	100%	
2002	2001	7,828,663,359	1,062,765,496	215,042,038				9,106,470,893	100%	
2003	2002	8,129,673,000	1,100,233,638	215,976,206				9,445,882,844	100%	
2004	2003	8,430,022,574	1,092,260,074	212,895,468				9,735,182,116	100%	

(1) Increase due to revaluation.

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

Tax Year	Fiscal Year Ended June 30,	Orange County	Chapel Hill	Carrboro	Hillsborough
1994	1995	0.885	0.591	0.69	0.485
1995	1996	0.9475	0.591	0.70	0.485
1996	1997	0.9975	0.596	0.7475	0.50
1997	1998	0.873	0.538	0.6375	0.45
1998	1999	0.902	0.538	0.66	0.52
1999	2000	0.919	0.563	0.675	0.57
2000	2001	0.929	0.578	0.712	0.62
2001	2002	0.805	0.504	0.6568	0.60
2002	2003	0.830	0.553	0.6852	0.06225
2003	2004	0.845	0.553	0.6852	0.06200

(1) Increase due to revaluation.

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

Tax Year	Fiscal Year Ended June 30,	Orange County	Chapel Hill	Carboro	Hillsborough	Total Tax Levies
1994	1995	\$ 47,660,208	\$ 12,586,014	\$ 3,341,978	\$ 980,279	\$ 64,568,479
1995	1996	52,456,250	12,547,769	3,572,164	1,054,917	69,631,100
1996	1997	59,251,135	13,415,313	4,031,350	1,189,041	77,886,839
1997	1998	65,368,175	14,635,901	4,510,381	1,387,676	85,902,133
1998	1999	70,316,829	14,803,037	4,818,656	1,577,679	91,516,201
1999	2000	76,489,429	15,766,710	5,407,318	1,894,972	99,558,429
2000	2001	80,576,790	16,755,500	6,065,356	2,194,771	105,592,417
2001	2002	87,980,261	19,255,296	6,984,830	2,674,336	116,894,723
2002	2003	92,201,181	21,762,495	7,551,366	2,926,216	124,441,258
2003	2004	97,333,361	22,522,156	7,983,802	2,937,177	130,781,496

Source: Tax assessor for the respective entities

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

Fiscal Year Ended June 30,	Population Estimate (1)	Taxable Property Assessed Value	Bonded Debt	Ratio of	
				Bonded Debt to Taxable Property Assessed	Bonded Debt Per Capita
1995	105,821	\$ 4,712,442,288	\$ 76,695,000	1.63	724.76
1996	106,045	4,887,603,584	72,400,000	1.48	682.73
1997	107,254	5,151,871,960	68,115,000	1.32	635.08
1998	109,288	6,388,946,690	63,835,000	1.00	584.09
1999	111,982	6,707,190,520	59,565,000	0.89	531.91
2000	118,227	7,025,948,661	95,475,000	1.36	807.56
2001	120,952	7,363,803,121	90,030,000	1.22	744.34
2002	123,162	9,106,470,893	102,255,000	1.12	830.25
2003	125,372	9,445,882,844	113,955,222	1.21	908.94
2004	125,372	9,735,182,116	107,585,000	1.1	858.13

Source:

(1) North Carolina Office of State Planning

ORANGE COUNTY, NORTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
 June 30, 2004

Total assessed valuation at June 30, 2004	<u>\$ 9,735,182,116</u>
Debt limit 8% of total assessed value	\$ 778,814,569
Amount of debt applicable to debt limit:	
Outstanding General Obligation Bonds	107,585,000
Obligations under Capital Leases	378,758
Installment Notes Payable	<u>28,610,895</u>
	<u>136,574,653</u>
	<u>\$ 642,239,916</u>

ORANGE COUNTY, NORTH CAROLINA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2004

	Bonded (1) Debt	Percentage of Total County Valuation Subject to this Debt	Orange County's Share of Debt
Orange County	\$ 107,585,000	100%	\$ 107,585,000
Town of Chapel Hill	18,400,000	100%	18,400,000
Town of Hillsborough	5,344,000	100%	5,344,000
Town of Carrboro	575,393	100%	575,393
City of Durham	306,585,500	3%	9,197,565
Town of Mebane	1,410,000	30%	423,000
	<u>\$ 439,899,893</u>		<u>\$ 141,524,958</u>

(1) Includes only full faith and credit debt.

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

Fiscal Year Ended June 30,	Debt Service Expenditures		Fees	Total	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures (1)
	Principal	Interest				
1995	\$ 3,000,000	\$ 3,403,470	\$ 920	\$ 6,404,390	\$ 82,756,823	7.74%
1996	5,056,495	4,134,500	302	9,191,297	98,243,504	9.36
1997	4,969,379	4,328,281	852	9,298,512	93,507,269	9.94
1998	5,042,785	4,782,154	765	9,825,704	93,282,376	10.53
1999	5,856,932	4,572,382	834	10,430,148	111,456,530	9.36
2000	5,944,011	4,231,613	120	10,175,744	115,834,563	8.78
2001	7,231,228	6,294,678	97	13,526,003	140,404,906	9.63
2002	8,795,743	6,574,620	488	15,370,851	149,300,426	10.29
2003	9,767,002	6,314,975	657	16,082,634	143,013,499	11.25
2004	10,276,402	6,780,803	142	17,057,347	155,650,492	10.96

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

**ORANGE COUNTY, NORTH CAROLINA
DEMOGRAPHICS STATISTICS
LAST TEN FISCAL YEARS**

Year Ended June 30,	Population (1)	Per Capita Income (1)	Median Age (1)	School Enrollment Admissions (2)	Unemployment Rate (3)
1995	105,821	21,945	29.85	13,011	2.4
1996	106,045	25,597	29.89	13,583	2.1
1997	107,254	27,344	29.80	13,857	1.6
1998	109,288	27,947	31.13	14,940	1.4
1999	111,982	28,946	31.55	15,238	1.2
2000	118,277	29,773	31.36	15,676	1.4
2001	120,952	30,238	30.78	16,121	1.3
2002	123,162	30,238	30.40	16,527	3.3
2003	125,372 (4)	30,238	30.40	16,590	3.4
2004	125,372 (4)	31,900	31.71	17,349	3.0

Sources:

- (1) State Library of North Carolina
- (2) Orange County Schools and Chapel Hill - Carrboro City Schools
- (3) Employment Security Commission
- (4) Not available; prior year estimate used

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

Fiscal Year Ended June 30,	Property Value (2)			Public Service Companies	Total Assessed Value	Number of Building Permits	Construction			Total Value (in Thousands)	Bank Deposits (3) (in Thousands)
	Real Property	Personal Property	Property Value (2)				Residential Value (in Thousands)	Non-Residential Value (in Thousands)	Total Value (in Thousands)		
1995	\$ 3,918,913,816	\$ 634,450,498	\$ 159,077,974	\$ 4,712,442,288 (1)	1,094	\$ 51,546	\$ 7,989	\$ 59,535	\$ 869,000		
1996	4,078,041,951	647,507,666	162,053,967	4,887,603,584	1,059	46,763	8,617	55,380	936,000		
1997	4,237,404,257	743,930,770	170,536,933	5,151,871,960	1,153	62,977	7,079	70,056	952,000		
1998	5,361,329,887	851,073,083	176,543,720	6,388,946,690 (1)	1,607	86,175	2,072	88,247	1,073,000		
1999	5,598,601,920	924,149,804	184,438,796	6,707,190,520	2,645	261,159	108,537	369,696	1,151,000		
2000	5,866,262,585	969,221,679	190,464,397	7,025,948,661	1,844	212,791	70,391	283,182	1,259,000		
2001	6,153,059,801	1,003,565,338	207,177,982	7,363,803,121	2,994	229,680	44,676	274,356	1,306,000		
2002	7,828,663,359	1,062,765,496	215,042,038	9,106,470,893	2,106	227,589	47,136	274,725	1,318,000		
2003	8,129,613,000	1,100,233,638	215,976,206	9,445,882,844	1,945	229,880	59,486	289,366	1,373,000		
2004	8,430,022,574	1,092,264,074	212,895,468	9,735,182,116	2,047	213,589	26,642	240,231	N/A		

Sources:

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

N/A Not Available

Table 13

ORANGE COUNTY, NORTH CAROLINA
PRINCIPAL TAXPAYERS

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Assessed Valuation
Duke Energy	Public Utility	\$ 78,332,878	0.83%
VAC Limited Partnership	Apartment Rental	55,829,704	0.59
Piedmont Electric and Membership Corporation	Public Utility	39,829,704	0.42
Bell South Telephone and Telegraph Company	Public Utility	38,105,154	0.40
Blue Cross and Blue Shield of North Carolina	Health Insurance	35,430,128	0.38
VS CT LLC	Property Owners Trust	35,126,445	0.37
Corium LLC	Health Insurance	25,608,158	0.27
Europa Center	Hotel	24,273,824	0.26
University Mall	Rental	20,594,783	0.22
Meadowmont JV LLC	Rental/Residential	20,065,498	0.21
		<u>\$ 373,196,276</u>	<u>3.95%</u>

ORANGE COUNTY, NORTH CAROLINA
MISCELLANEOUS STATISTICS

Date of Incorporation	May 20, 1775	
Form of Government	Board of Commissioners - Manger	
Area	398 Square Miles	
Miles of Roads - paved (1)	747.58	
Miles of Roads - unpaved (1)	70	
Fire Protection (Voluntary) (2):		
Number of Stations	11	
Number of volunteers	250	
Police Protection (2):		
Number of Stations	1	
Number of Policemen	111	
Education (K-12) (3):		
Number of Schools	26	Orange County 11 Chapel Hill/Carrboro 15
Number of teachers and administrative personnel	2,904	1,304 1,600
Number of students	17,349	6,705 10,644
Recreation and Culture (4):		
Number of libraries and branches	3	Orange Co./C'boro 2 Chapel Hill 1
Number of volumes	322,027	186,266 135,761
Employees (2):		
Permanent	774	
Temporary - part-time	304	

Sources:

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

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