

ONSLOW COUNTY
NORTH CAROLINA
Citizens' Financial Report



Popular Annual Financial Report

*For the Fiscal Year Ended
June 30, 2007*

About the cover

This is the smallest of United States coins with a diameter of 14 mm. They were issued from 1851 through 1873. From 1851 to 1853 they were 75% silver and 25% copper and weighed .80 grams. From 1854 to 1873 they were 90% silver and 10% copper and weighed .75 grams.

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INTRODUCTION

The report contained herein is the Popular Annual Financial Report (PAFR) prepared by Onslow County. This report is called the Popular Annual Financial Report because financial data is presented here in a simple, easy to read format for the average person. The information for this report has been taken from the County’s Comprehensive Annual Financial Report (CAFR), which is a complete compilation of financial data including the audited statements and footnotes, auditor’s opinion and other relevant schedules and statistics. Anyone interested in viewing the CAFR can do so at the County Finance Department at 615 Court Street, Jacksonville, N.C. 28540 or on-line at www.onslowcountync.gov.

We hope you will take the time to provide us with your thoughts or ideas for improvement after reading this year’s report. Drop us a note at the address listed above; call the office at 910-455-3404, or e-mail alvin_barrett@onslowcountync.gov. We look forward to hearing from you.

BOARD OF COMMISSIONERS

Martin Aragona, Jr.
Chairman
Paul Buchanan
Vice-Chairman
Delma Collins
Joseph McLaughlin
Lionell Midgett

ONSTLOW COUNTY NORTH CAROLINA

www.onslowcountync.gov

October 19, 2007

Citizens of Onslow County

I am pleased to present the Onslow County Popular Annual Financial Report (PAFR) for the year ended June 30, 2007. The report is a brief presentation of financial information and activities including where County revenue comes from, where those dollars are spent and a brief overview of the local economy. Above all, it is designed to present an understandable and readable financial report.

This financial report provides a summary of information detailed in the 2006 Onslow County Comprehensive Annual Financial Report (CAFR). The CAFR is a 148-page document of detailed financial statements, note disclosures, supplemental schedules, and statistical tables. The CAFR was prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) was audited by Pittard Perry & Crone, CPAs and received an unqualified opinion, the best that can be received.

The Popular Annual Financial Report is a condensed, more user-friendly financial report intended to provide highlights of the primary government from the County's CAFR. The PAFR is not audited and does not conform to GAAP and governmental reporting standards. The major differences between GAAP and non-GAAP reporting deal with the exclusion of component units, agency funds, presentation of individual funds and full disclosure of all material financial and non-financial notes to the financial statements, but a PAFR is easier to read.

The PAFR and CAFR are important informational tools providing both the citizens and the business community pertinent facts and statistics regarding the financial management and economic status of Onslow County. The Popular Annual Financial Report of Onslow County is a means of increasing public confidence in County government through easier, more user-friendly financial reporting.

Onslow County continues its trend of sound fiscal management as reflected within these pages by striving to offer to the public the best services they deserve and require, including education, human services, public safety, economic development and infrastructure improvements as well as other necessary programs for residents. As you review our Popular Annual Financial Report, I invite you to review Onslow County's Comprehensive Annual Financial Report (CAFR) at the Finance Office at 615 Court Street, Jacksonville, NC. or on-line at www.onslowcountync.gov.

Sincerely,



Alvin W. Barrett, Jr.
Deputy County Manager/Finance Officer

Onslow County Finance Office
615 Court Street • Jacksonville, North Carolina • 28540
Phone: 910.455.3404 • Fax: 910.455.3024

Onslow County Board of Commissioners



Martin Aragona, Jr..
Chairman



Paul Buchanan
Vice-Chairman



Delma Collins

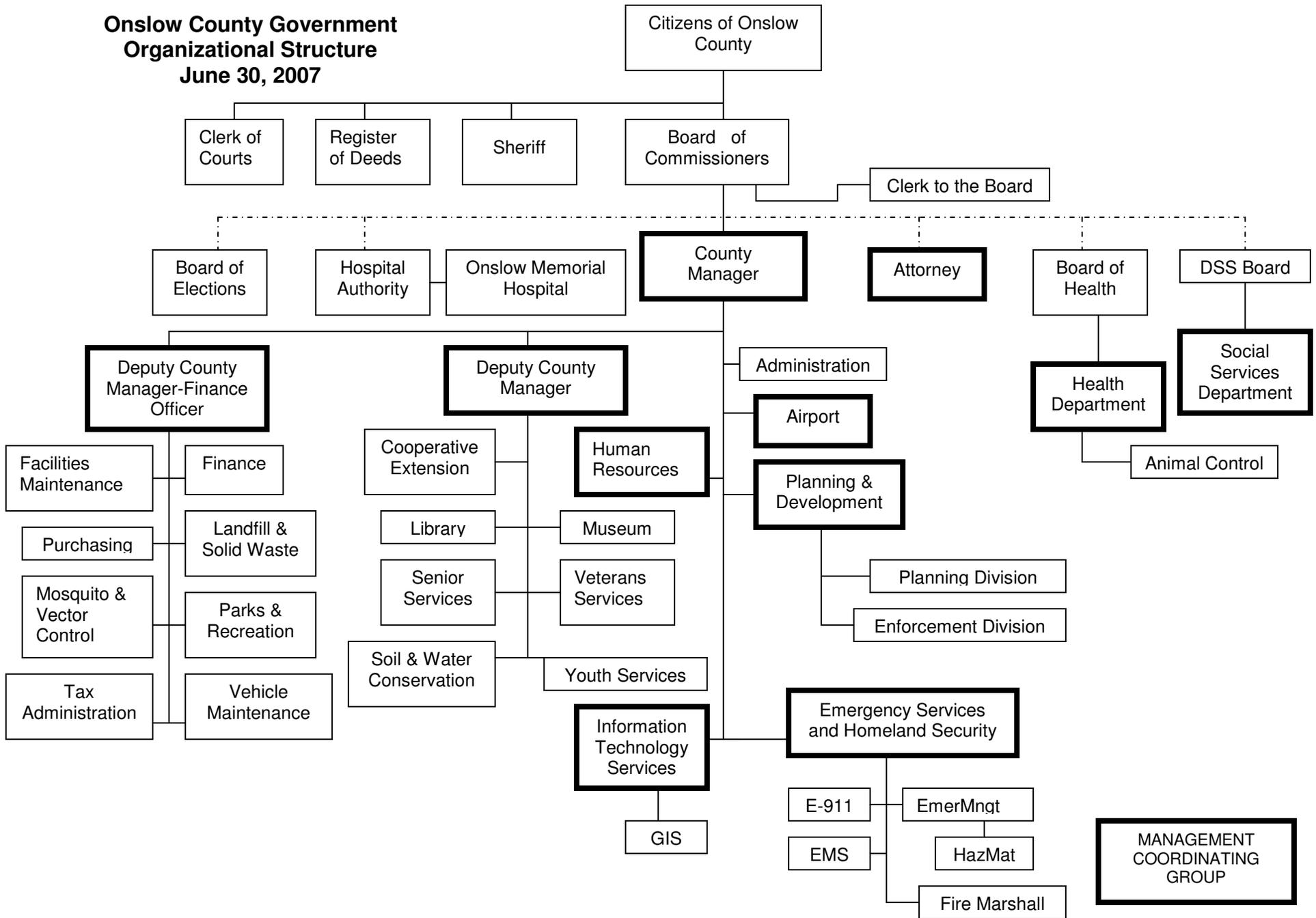


Lionell Midgett



Joseph R McLaughlin

**Onslow County Government
Organizational Structure
June 30, 2007**



DEPARTMENTAL CONTACTS

ADMINISTRATION

Frank Clifton (910) 347-4717
County Manager
118 Old Bridge Street
Jacksonville, NC 28540

AIRPORT

Jerry Vickers (910) 324-1100
Director
264 Albert Ellis Airport Road
Richlands, NC 28574

BOARD OF ELECTIONS

Rose Whitehurst (910) 455-4484
Elections Supervisor
521 Mill Avenue
Jacksonville, NC 28540

COOPERATIVE EXTENSION/AGRICULTURE

Peggy Garner (910) 347-6782
Director
4022 Richlands Hwy
Jacksonville, NC 28540

DEPARTMENT OF SOCIAL SERVICES

Roger Penrod (910) 455-4145
Director
1915 Onslow Drive Extension
Jacksonville, NC 28540

EMERGENCY MANAGEMENT SERVICES

Mark Goodman (910) 347-4270
Director
1180 Commons Drive
Jacksonville, NC 28540

FACILITIES MAINTENANCE

Randy Jones (910) 455-0334
Maintenance Chief
242 Georgetown Road
Jacksonville, NC 28540

FINANCE OFFICE

Alvin W. Barrett, Jr. (910) 455-3404
Deputy Co. Mgr./Finance Officer
615 Court Street
Jacksonville, NC 28540

HEALTH DEPARTMENT

George O'Daniel (910) 347-2154
Director
612 College Street
Jacksonville, NC 28540

HUMAN RESOURCES

Tom Morgan (910) 347-7600
Human Resources Director
202 Old Bridge Street
Jacksonville, NC 28540

INFORMATION TECHNOLOGY SERVICE

Phil Turner (910) 455-3926
ITS Director
524 Mill Avenue
Jacksonville, NC 28540

MOSQUITO & VECTOR CONTROL

J.R. Batchelor (910) 455-0181
Supervisor
1222 Onslow Pines Road
Jacksonville, NC 28540

MUSEUM

Lisa Whitman-Grice (910) 324-5008
Director
301 S. Wilmington Street
Richlands, NC 28574

PARKS & RECREATION

Mac Sligh (910) 347-5332
Director
1244 Onslow Pines Road
Jacksonville, NC 28540

PLANNING & DEVELOPMENT/CODE ENFORCEMENT

Steve Sizemore (910) 455-3661
Director
604 College Street
Jacksonville, NC 28540

PUBLIC LIBRARY

Phillip Cherry (910) 455-7351
Director
58 Doris Avenue
Jacksonville, NC 28540

PURCHASING & CONTRACTS

Laura Jones (910) 455-1750
Purchasing Agent
609 Court Street
Jacksonville, NC 28540

REGISTER OF DEEDS

Maryland Washington (910) 347-3451
Registrar
109 Old Bridge Street
Jacksonville, NC 28540

SENIOR SERVICES

Sherry Slater (910) 455-2747
Director
4022 Richlands Hwy
Jacksonville, NC 28540

SHERIFF

Ed Brown (910) 455-3113
Sheriff
701 Mill Avenue
Jacksonville, NC 28540

SOIL & WATER CONSERVATION

William D. Norris (910) 455-4472
Director
4022 Richlands Hwy
Jacksonville, NC 28540

SOLID WASTE

James Horne (910) 989-2107
Coordinator
415 Meadowview Road
Jacksonville, NC 28540

TAX ADMINISTRATION

Harry Smith (910) 989-2200
Tax Collector
39 Tallman Street
Jacksonville, NC 28540

VEHICLE MAINTENANCE FACILITY

Jerry Davis (910) 455-0181
Supervisor
1222 Onslow Pines Road
Jacksonville, NC 28540

VETERAN SERVICES

Amelia Grissett (910) 347-3309
Director
116 Old Bridge Street
Jacksonville, NC 28540

YOUTH SERVICES

Peggy Gibson (910) 455-4275
Director
220 Georgetown Road
Jacksonville, NC 28540

ONSLow COUNTY HISTORY

Situated on the lower Coastal Plain of southeastern North Carolina, the cultural history of Onslow County is interwoven with its natural setting. Social, political, and economic decisions have been undeniably influenced by the availability and abundance of local resources, including waterways, fertile soil, and vast stands of timber. This abundance attracted the area's first people, the Native Americans. The first European and English settlers arrived in 1713 in what was originally part of the colonial precincts of Carteret and New Hanover. In 1734 the residents along the New and White Oak Rivers petitioned to establish their own court precinct to be called Onslow; in commemoration of the Honorable Arthur Onslow, Speaker of the House of Commons. Following the American Revolution it would become Onslow County in the new state of North Carolina. Its current system of government comprising a Board of County Commissioners was formalized in the late 19th century as a measure of Reconstruction following the American Civil War. Throughout the 20th century, agricultural endeavors, business, and even the establishment of the world's most complete amphibious training facility – Marine Corps Base Camp Lejeune relied upon and flourished in the natural environment of Onslow County. Today the aforementioned abundance and beauty found in the surrounding landscape, shoreline, and seascape continues to define Onslow County, attracting industry, tourism, and families to our distinctive community.

In September 2006 the Board of Commissioners celebrated the 138th anniversary of the commissioner form of government for the County. The first Board of Commissioners to office on October 5, 1868.



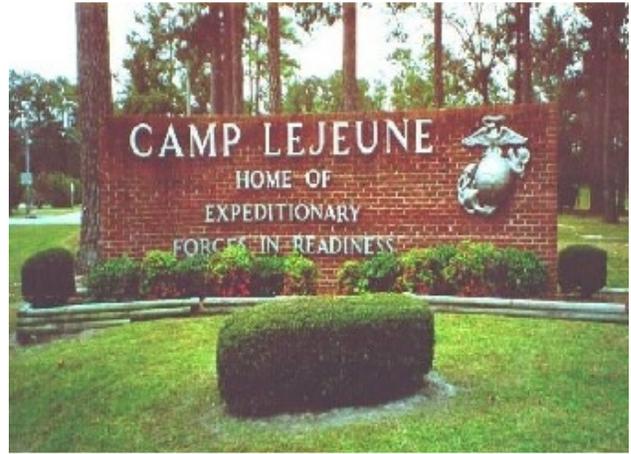
PROFILE OF THE COUNTY



The county is bordered by Pender County to the south, Duplin County to the west, Lenior and Jones counties to the northwest and north, and the Atlantic Ocean to the east. The County has a flat, gently rolling terrain which slopes from an altitude of 63 feet at the town of Richlands to sea level and covers a total of 767 square miles encompassing approximately 484,000 acres, of which about 156,400 acres comprise the Camp Lejeune Marine Corps Base and New River Marine Corps Air Station and are owned by the federal government. There are six municipalities within the county, the largest being the City of Jacksonville, which serves as the county seat.

LOCAL ECONOMY

Camp Lejeune, the home of the II Marine Expeditionary Force, 2nd Marine Division, 2nd Marine Logistics Group, Special Operations Command, 2nd Expeditionary Brigade, and II Marine Expeditionary Force Augmentation Command, is the largest contributor to the Onslow County economy through wages to base connected military, civilian employees, and employees of non-appropriated fund organizations of approximately \$1.92 billion, according to 2005 base statistics. Of this, \$429.7 million was paid to military and civilian retirees within fifty (50) miles of Camp Lejeune.



During the federal fiscal year 2005 Camp Lejeune awarded \$193.0 million in construction contracts with approximately \$40.0 million awarded to contractors located in Onslow County.



Camp Lejeune is also the home of a Coast Guard Special Missions Training Center. Its mission is to train Marine Safety and Security Teams, port security units and law enforcement detachments.

Marine Corps Air Station, New River is an integral part of the support of Camp Lejeune and is the home of the Marine Tilt Rotor Test and Evaluation Squadron and Marine Tilt Rotor Training Squadron for the V-22 Osprey.

It was announced recently that between 2008 and 2011 Camp Lejeune and New River Air Station combined will see a growth in approximately 8,360 active duty Marines and sailors as the Marine Corps expands its size. This growth is expected to bring 11,500 new jobs for active duty service members and civilian employees over the next four years.

Agriculture remains a major economic factor in Onslow County with gross agricultural income for 2006 estimated at \$82.5 million. Tobacco remains the leading cash crop with a gross income of \$4.8 million. Other major crops include corn at \$4.3 million, soybeans at \$2.8 million and cotton at \$2.2 million. The newest crop to the area is peanuts with 327 acres yielding just under \$200,000. The livestock industry continues to play a dominant role in farm income with a combined total of \$67.0 million. Poultry and pork production account for the majority of this at \$66.0 million. Additionally, timber sales within the county total approximately \$16.75 million.



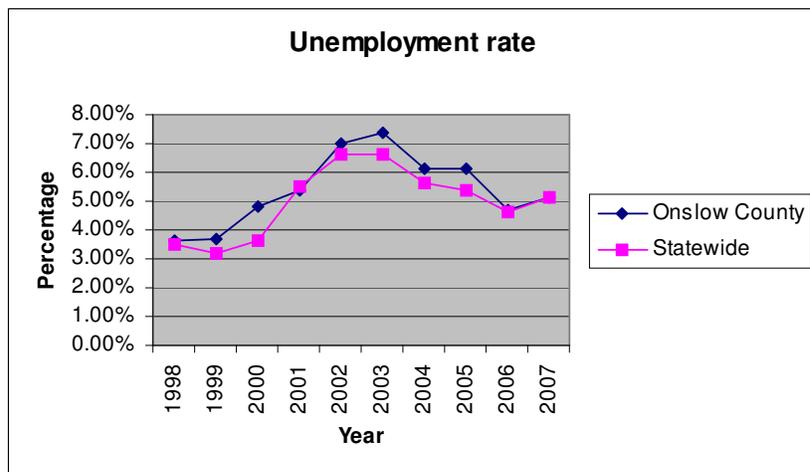
Construction activity in Onslow County has remained steady as evidenced by the 4,452 new units of residential construction and 349 new units of commercial construction totaling over \$296 million dollars in fiscal year 2007.



Tourism is one of the County's largest growing industries. It is estimated that the local tourism industry generates more than \$30.3 million in wages for approximately 1530 full time employees. Visitors to Onslow County spent and estimated \$148.5 million in 2006 for an increase of 7.9 percent from 2005. Onslow County is ranked 23rd in travel impact among North Carolinas 100 counties.

The County has become also a center for retail sales for the region. New commercial businesses have continued to open in the County as the Western Boulevard area in Jacksonville has become the home of many national retail businesses. Taxable sales for the FY 2006-07 were \$1.237 billion. This is an increase of 9.7% over the previous fiscal year.

The unemployment rate for Onslow County as of June 30, 2006 was 5.10 percent. Economic development recruiting efforts are being focused on telecommunications "back office" type of companies, assembly and light manufacturing industries, and industries that are suppliers to the military. With a large military dependent population, these industries are well suited for the existing work force.



The County is marketing its 730-acre Industrial Park located on U.S. Highway 258 and within a 10-minute drive of Albert J. Ellis Airport, which serves the County. In January of 2005 this site was officially certified as a North Carolina certified industrial site. Having the site certified means that much of the infrastructure, including site surveys and access to necessary utilities like water and power, is already in place. Additionally, the North Carolina Department of Commerce is posting this site on its web site for prospective industries to do preliminary screening.



In December 2006 agreements were signed with Cape Fear Precast, LLC to locate in our industrial park. Cape Fear manufactures pre-cast concrete utility structures such as sanitary sewer manholes, pump stations and storm water products, and serves a customer base along the eastern seaboard east of Interstate 95 from Virginia to South Carolina.



Onslow County and surrounding areas have superb commercial air service connectivity via our county-owned Albert J. Ellis Airport. The airport is served by Piedmont and PSA Airlines d/b/a US Airways Express and providing eight daily flights via the hub at Charlotte. In addition, ASA Airlines, d/b/a Delta Connection provides four daily flights via the world's largest hub airport in Atlanta. Regional jet aircraft (50 and 70 seat aircraft) are available on ten of the airports twelve daily flights. The other two daily flights are on large 50-seat turboprops. Total traffic for Fiscal Year 2006-07 was 207,160 which

represented a 13.8% increase over the previous FY. Fixed based general aviation services, i.e., fuel sales, aircraft rentals, flight instruction, etc., are provided under an airport lease agreement with Jacksonville Flying Service.

Delta service to our airport began in December 2006. Since that time we have seen a dramatic increase in our passenger traffic. For the period January – June 2007 total passenger traffic was 113,191 passengers as compared to the same period of 2006 which totaled 86,384, for a 31% increase.

COUNTY GOVERNMENT

The County has a commissioner/manager form of government. The five members of the Board of Commissioners are elected at large on a partisan basis and serve four-year terms. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the budget, setting the property tax rate, adopting county ordinances and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.



The County provides a wide range of services to the citizens of the county through its twenty-six departments. Examples of these are Sheriff, Jail, Emergency Management (E911 and EMS), Health Department, Department of Social Services, Parks & Recreation, Library, Senior Services, Veteran's Services, Mosquito Control, Cooperative Extension Services, Youth Services, Board of Elections, Museum, Airport, Planning, and Register of Deeds.

The County also provides current expense and capital outlay funding for the Onslow County School System and is responsible for providing school facilities. The school system is governed by an independently elected Board of Education.

FINANCIAL ACTIVITY

The financial activities of Onslow County Government are accounted for in funds. These funds can be identified as either **Governmental** or **Business-type**. Governmental activities constitute the majority of the County's operations and are financed primarily by operating grants, taxes, charges for services, capital grants, and other intergovernmental revenues.

These governmental funds consist of the following:

General Fund – This is the operating fund of the County and reflects those revenues and expenditures that are traditionally associated with the operations of the County.

Special Revenue Fund – This type of fund accounts for the proceeds of specific revenues that are legally restricted to expenditure for specific purposes.

Capital Project Fund – This type of fund accounts for acquisition or construction of major capital assets for the general operation of the County. Capital project financed by proprietary (those operated as if they were a business) funds are accounted for in the proprietary fund.

Revenues: The monies received by the County from a variety of sources used to fund all services provided. The sources of these funds consist of the following:

- Taxes – revenue from real estate tax, personal property tax, sales tax and other taxes.
- Intergovernmental Revenues – revenue from grants and pass-through monies administered by the State of North Carolina and federal government and other local government entities.
- Charges for services – fees received by departments for services provided to the public.
- Operating Grants and Contributions – monies to be used for general program operations.
- Capital Grants and Contributions – monies to be used for capital acquisitions.

General Fund:

As we previously stated the General Fund is the operating fund of the County. Below you will find a recap the revenues accounted for within this fund.

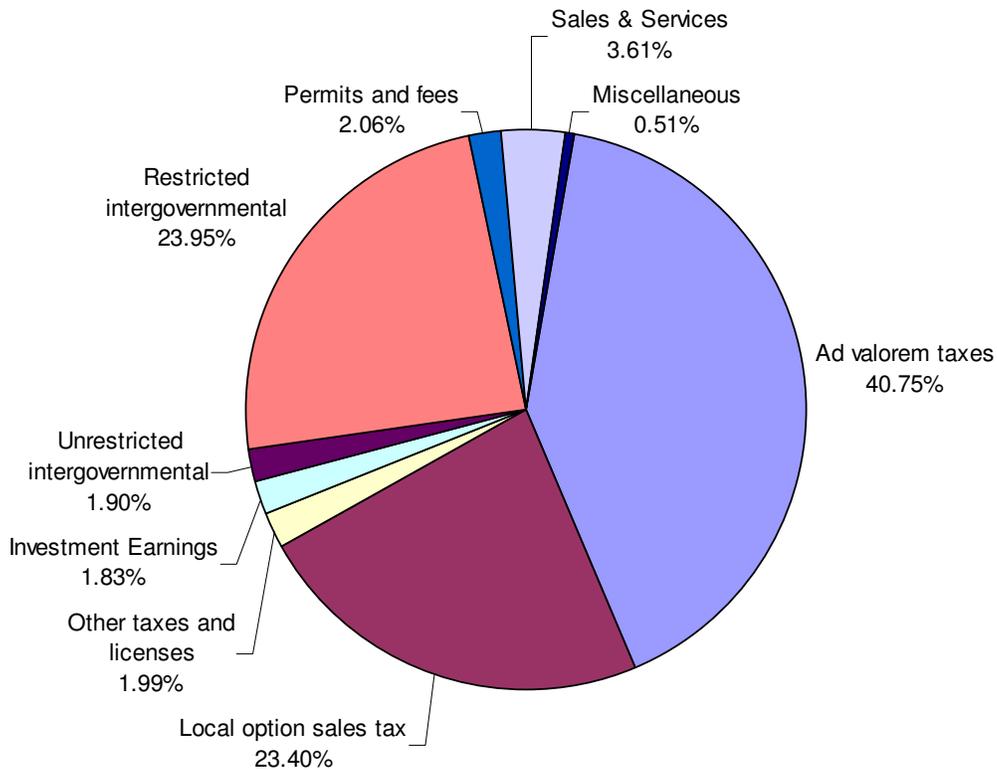
REVENUES (where the money comes from)

The total governmental type revenues in fiscal year 2007 for the county total \$131,466,760.

<u>Revenue Type</u>	<u>Amount</u>	<u>Increase (decrease) from Prior Year</u>
Ad valorem taxes	\$ 53,567,340	\$ 9,377,755
Local option sales tax	30,764,964	1,962,577.00
Other taxes and licenses	2,613,082	70,519.00
Investment Earnings	2,411,197	743,813.00
Unrestricted intergovernmental	2,499,821	(535,475.00)
Restricted intergovernmental	31,480,669	3,496,775.00
Permits and fees	2,711,153	196,640.00
Sales & Services	4,742,743	432,622.00
Miscellaneous	675,791	(370,166.00)

Ad valorem (property taxes), sales taxes and intergovernmental revenues combined for 88.1% of the County general operating revenues. The decrease in revenues shown in unrestricted intergovernmental is due to the ending of a sales tax agreement between the County and City of Jacksonville. In April 2006 the county elected to use the ad valorem method of distribution of sales tax receipts.

General Fund Revenues \$ 131,466,760



Expenditures: The monies spent to provide services to citizens. Below is a recap of the governmental activities and the associated department represented by each of these activities.

Governmental Activities

- General Government – includes expenses incurred to operate the administrative offices of the Commissioners, County Manager, Finance, Human Resources, Tax, Attorney, Courthouse, Administrative Building, Elections, Register of Deeds, Information Technology System, and Facility Maintenance, Vehicle Maintenance, and Planning.
- Public Safety – includes the costs of the Sheriff, Jail, Emergency Medical Services, Communications, Fire Services, Animal Control, Code Enforcement, Medical Examiner, Volunteer Rescue Squads, and Volunteer Fire Departments.
- Transportation – includes costs for Airport.
- Economic and Physical Development – includes expenses for Economic Development, Cooperative Extension Services, Soil and Water Conservation, and Tourism.
- Human Services – expenses to provide various forms of services and assistance to individuals, children and families including Public Health, Environmental Health, Mental Health, Social Services, Senior Services, Youth Services, and Veterans Services.
- Cultural and recreational – includes costs for Libraries, Parks and Recreation, and Museum.
- Education – funding for current and capital expense for the local school system and community college.
- Debt Service – cost of debt financing for capital projects of the County.

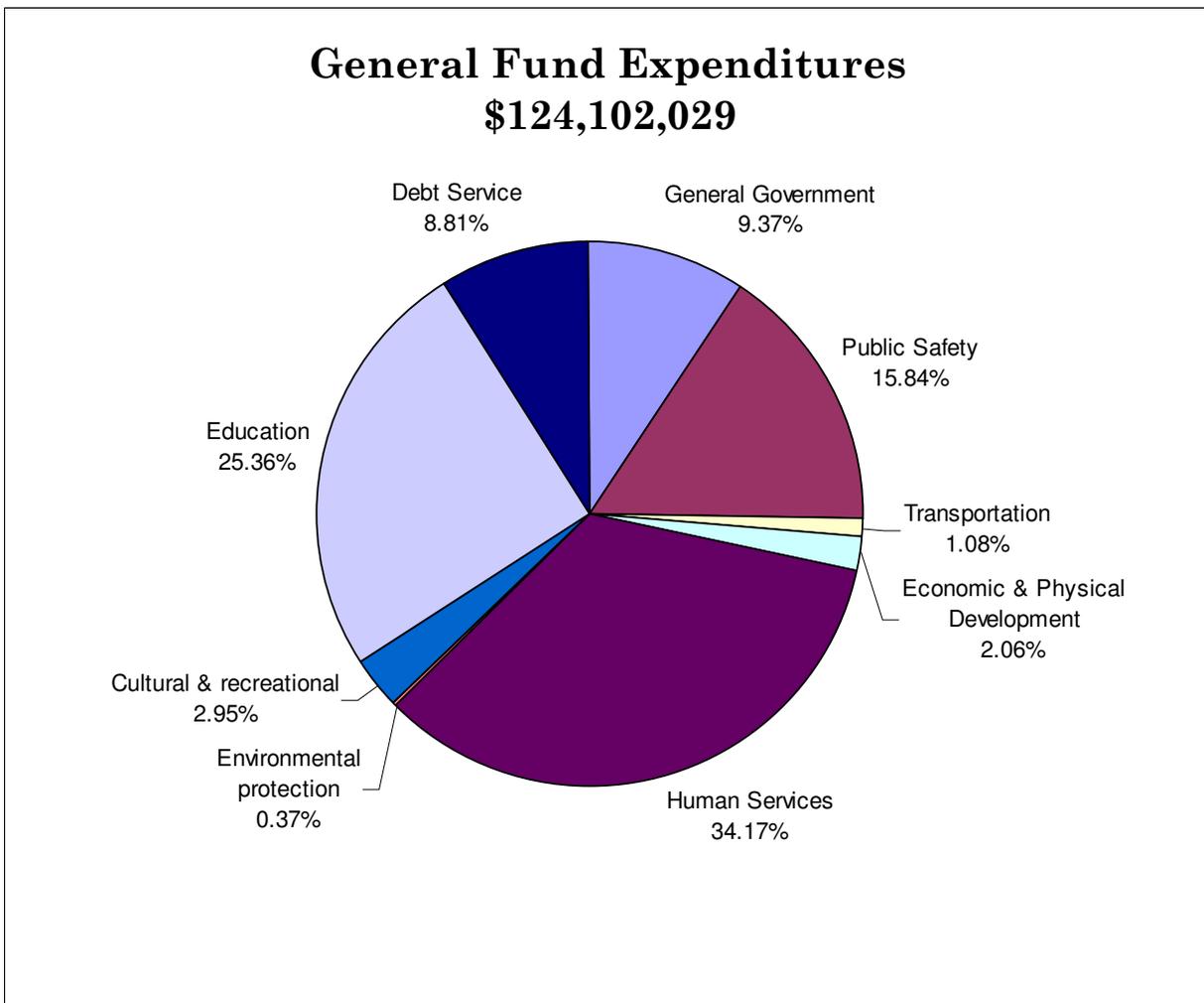
The charts below show a breakdown of the General Fund expenditures of the County by activity.

EXPENDITURES (where the money is used)

The total governmental type expenditures in fiscal year 2006 for the county totaled \$124,102,027.

<u>Expenditure type</u>	<u>Amount</u>	<u>Increase (decrease) from Prior Year</u>
General Government	\$ 11,632,019	\$ (558,784)
Public Safety	19,658,166	2,051,355
Transportation	1,342,256	226,403
Economic & Physical Development	2,553,841	750,258
Human Services	42,400,286	3,346,077
Environmental protection	457,485	23,384
Cultural & recreational	3,663,538	476,215
Non-departmental	-	(9,347)
Education	31,466,700	3,700,955
Debt Service	10,927,738	4,795,895

The majority of our expenditures are in the area of human services at \$42,400,286 followed by Education at \$31,466,700(excluding debt on schools) and then by Public Safety at \$19,658,166. These three areas account for 75.37 percent or our total governmental type expenditures.



Special Revenue Funds:

The County operates the following special revenue funds:

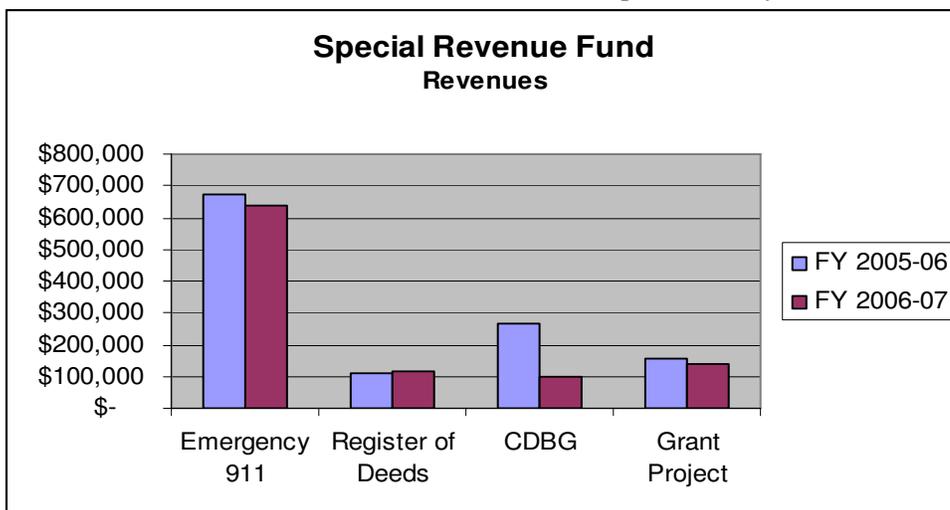
Grant Project Fund – Accounts for funds received from various specialized grants that cover more than one fiscal year and in some cases three fiscal years. These are not operational grants but one time funding for special projects.

Community Development Fund – Accounts for the funds used in the rehabilitation or replacement of homes for those who qualify for low income housing assistance.

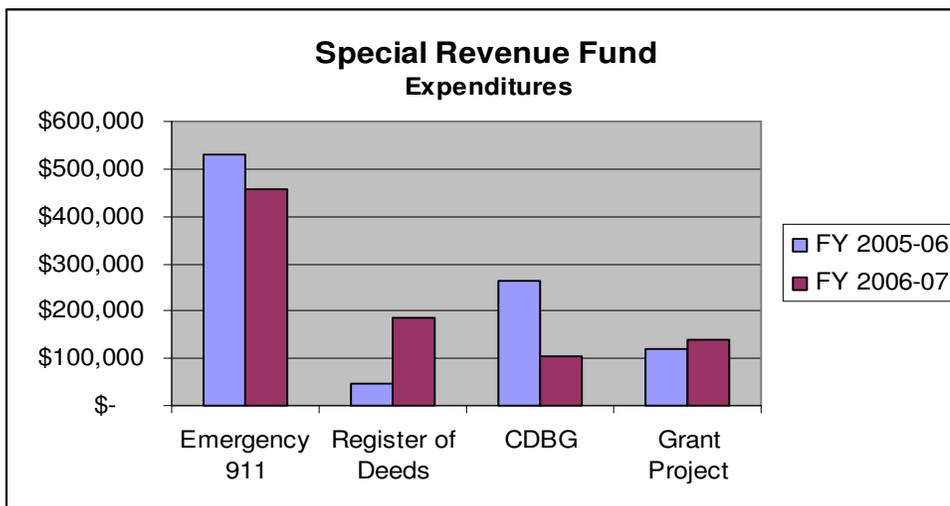
Register of Deeds Automation Fund – Accounts for the cost of automation and enhancement of processes for the Register of Deeds.

Emergency 911 Fund – Accounts for the operations and capital outlay of the emergency 911 system except for personnel which are covered by the General fund.

For fiscal year 2007, these funds had total revenues of \$993,392 and expenditures of \$885,294. The charts below show the breakdown of the revenues and expenditures by fund.



The major changes in the revenues over fiscal year 2005 were decreases in the Community Development funds from Federal sources and E-911 fees. These account for \$198,000 of the \$218,000 decrease in total revenues of the Special Revenue Funds.



The expenditures of the Special Revenue Funds have decreased overall by \$75,000. There was a mild decrease in E 911 with large increases in the Register of Deeds and the Community Development Funds. This shows that these funds are more cyclical in nature than other programs.

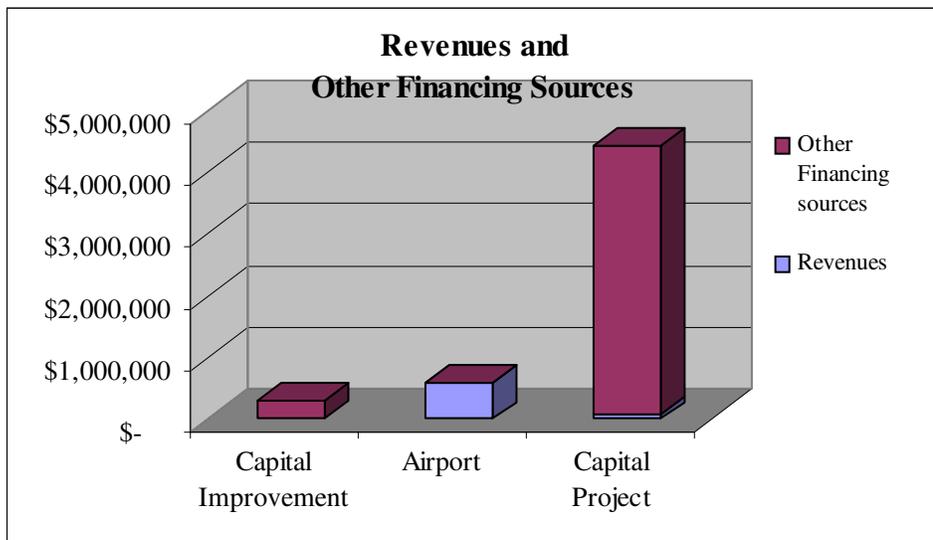
Capital Project Funds:

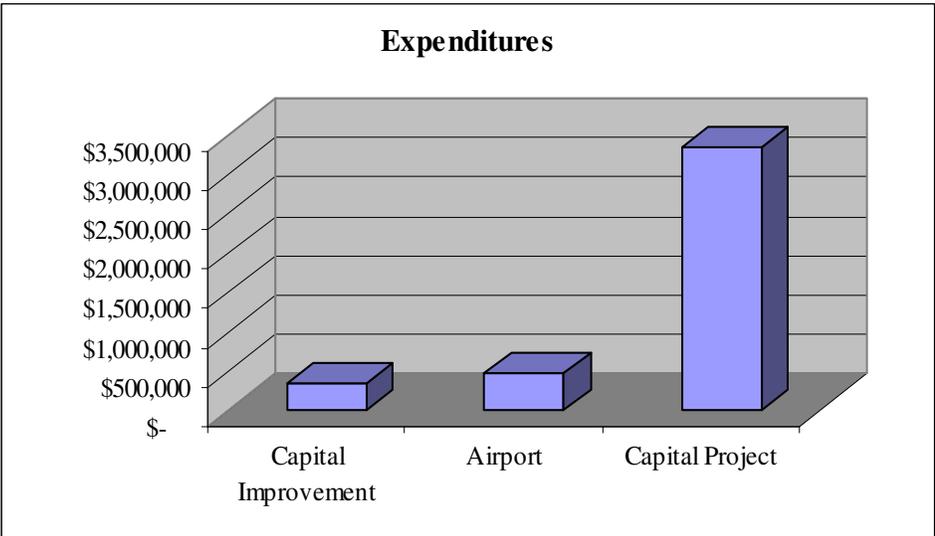
The County operates the following capital project funds: These are

- Capital Improvement Fund – Accounts for the funds used in the major maintenance and renovation costs of the various facilities currently owned by the County. Some of the items covered are roof replacement, repair of HVAC systems and similar general improvements.
- Airport Fund – Accounts for the capital projects at the County-operated Albert J. Ellis Airport. These projects are funded through Federal airport improvement funds, state funds and passenger facility charges.
- Capital Project Fund – Accounts for major new construction of County facilities and major software purchases.
- School Construction Fund – Accounts for the school construction projects which are funded by or the funds are passed through the County. Currently we have \$105.5 million dollars of school facilities under construction which were funded through the sale of \$90 million in general obligation bonds and \$15.5 million in certificates of participation.

For fiscal year 2007, these funds had total revenues and other financing sources of \$7,860,000 and expenditures of \$24,342,000. Of these the School Construction Fund accounts for \$2,524,975 of the revenues and other financing and \$21,184,590 of the expenditures. This variance in revenues and expenditures is due to the use of bond proceeds from prior years bond sales to cover the cost of ongoing construction for schools.

The charts below show the breakdown of the revenues and expenditures of the capital project funds except for the school construction fund.





FINANCIAL POSITION – GOVERNMENTAL ACTIVITIES

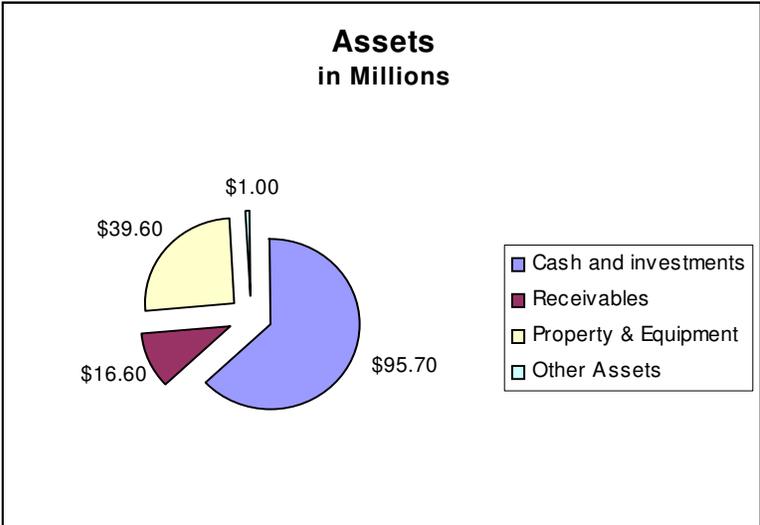
The financial strength of the County can be seen when you compare our assets to our liabilities. The charts below cover all governmental type activities as of June 30, 2007. These charts are based on a Non-GAAP format, which means the data may include some summarizations and combinations, which GAAP would not allow.

Assets (what we own)

Cash and investments is the amount of physical cash held by the County in bank accounts and on hand to pay current expenses. The investments are funds not needed to pay current expenses. The Finance Officer invests these funds in a variety of securities such as CD's and Commercial Paper thus allowing the County to earn interest on its cash on hand.

Receivables are amounts owed to the County that are expected to be received within the next twelve months.

Property and Equipment represents the land, buildings, vehicles, furniture and equipment that provide an economic benefit of greater than one year.

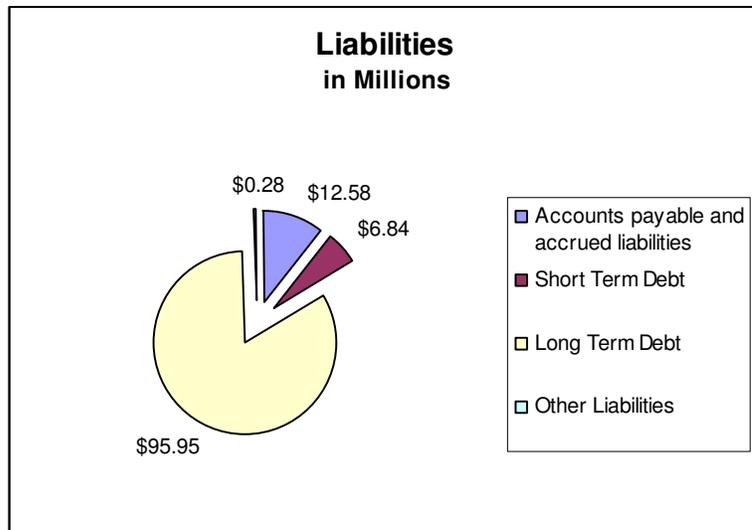


Liabilities (what we owe)

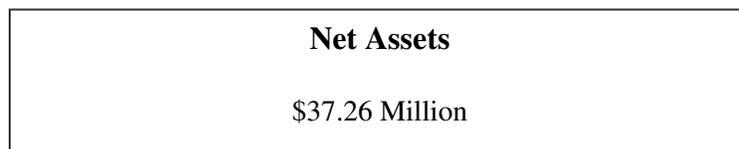
Accounts payable and accrued liabilities (amounts owed to employees and vendors) are funds the County owes individuals and companies who supply goods or services and the expected payment is to be made within twelve months.

Short Term Debt represents the amount borrowed by the County that must be repaid within one year.

Long Term Debt represents the amount of bonds and other loans the County has issued and still owes. Bonds and other financings are not required to be paid off in one year. The County makes monthly, semi-annual, and annual payments on these amounts.



Net Assets – represents the net worth of the county. This is the net of the assets minus the liabilities.



Changes from Prior Year

For fiscal year 2007 assets decreased by just over \$5 million. This is mainly due to decrease of \$9.5 million cash and investments as we have used the proceeds from issuance of bonds for school construction. This decrease was partially offset by increases in property and equipment owned by the county and accounts receivable.

Liabilities of the county remained constant with prior years with a total of \$115 million. We saw an increase in the amount of account payable at the end of fiscal year 2007 while decreasing our long term debt from the prior year by \$6 million.

BUSINESS-TYPE ACTIVITIES

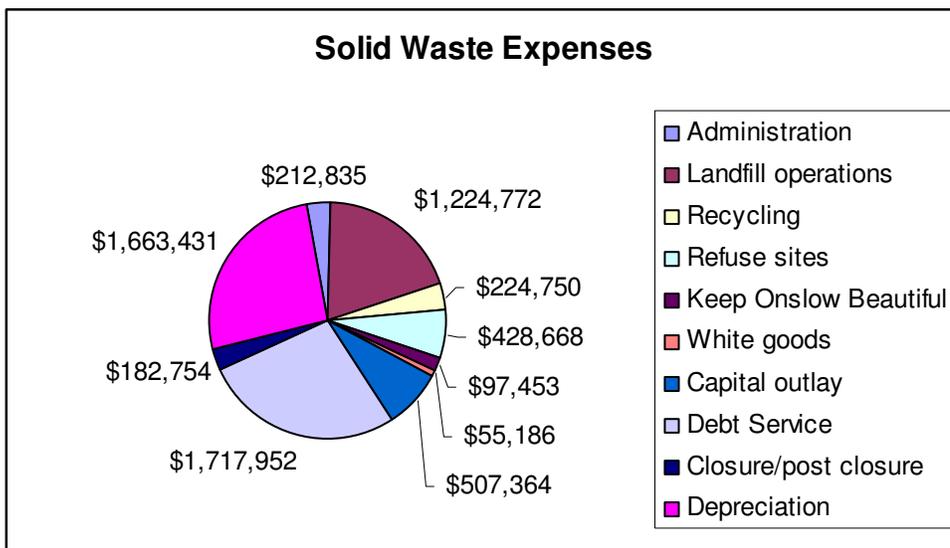
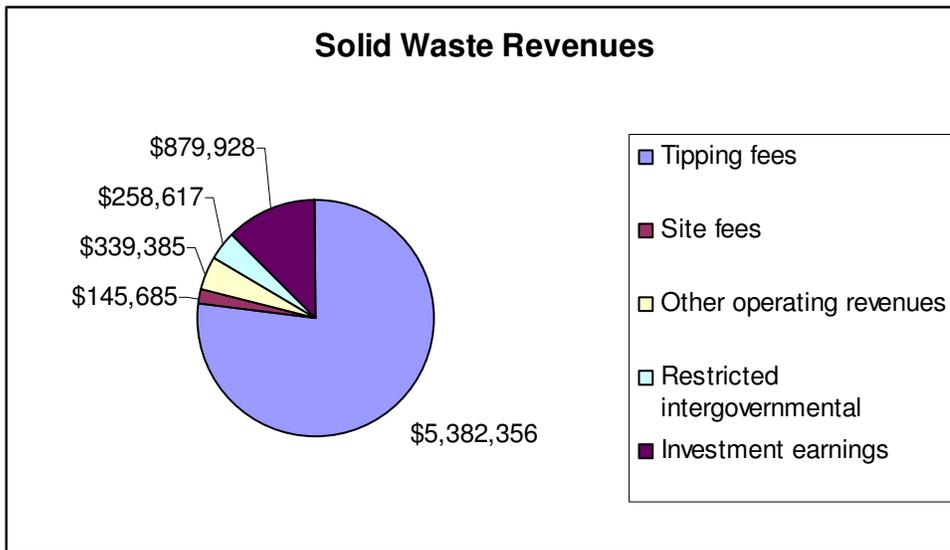
Business-type activities rely on user fees and other charges to wholly, or to a large extent, fund their operations. The only business-type activity currently operated by the County is its Solid Waste Fund.

This fund accounts for all costs associated with operating the Convenience Centers, and the Subtitle D Sanitary Landfill as well as the Recycling program and education programs of Keep Onslow Beautiful. The current landfill has an estimated life of 11.5 years before it will be filled to capacity. The County is undertaking action at this time to begin the search for a replacement site.

During fiscal year 2006-07, the revenues of the Solid Waste Fund were \$7.0 million for an increase of \$352,000 over the prior year. This is mainly due to increased interest earned. Operating and other expenses are approximately \$500,000 more than last year. We incurred one time capital expenses with the purchase of an articulated dump truck and a Mack tractor. The charts below show the breakdown of the revenues and expenditures by type.

The Keep Onslow Beautiful program under our Solid Waste activities has partnered with Onslow County Schools to launch a school recycling program at the Dixon schools. This activity is

funded in part by grant funds from the North Carolina Department of Environment and Natural Resources. If successful we will be looking a ways to implement this in other schools.



LONG-TERM DEBT

Onslow County's long-term debt consist of General Obligation Bonds, Installment Purchases as authorized by NCGS 160A-20 and 153A-158.1, and Special Obligation Bonds. The County's bond rating is A1 by Moody's and A+ by Standard and Poor's.

The General Obligation Bonds are collateralized by the full faith, credit and taxing power of the County. As of June 30, 2007, the County has \$70,555,000 in outstanding General Obligation Bonds. Of this total, \$68,397,515 is for school facilities.

There are \$40,000,000 in authorized but unissued General Obligation Bonds for school construction. These bonds will be issued in March of 2008.

The installment purchase obligations are issued pursuant to a deed of trust. As of June 30, 2007, the County has \$15,353,642 in outstanding installment purchase obligations. These have been issued for such projects as industrial park development, county buildings, school buildings, and Sheriff vehicles.

In June the County incurred \$846,526 in installment purchase debt to cover the cost of energy savings measures undertaken by the county. It is anticipated that over the life of the debt the savings from utility payments will cover the cost of the financing.

As of June 30, 2007 the County has outstanding Certificate of Participation (COPS) totaling \$14,725,000. These COPS were issued for the construction of Meadow View Elementary School. This school is scheduled to open in the fall of 2008.



School debt also makes up the major portion of our long term liabilities. Of the \$95 million in long term debt \$91.3 million is debt for school projects.

The expansion of the county operated landfill was financed through the issuance of special obligation bonds. These bonds are authorized under the North Carolina Solid Waste Management Loan Program, Chapter 159I, of the General Statutes in accordance with a bond resolution adopted by the County Board of Commissioners. These bonds are secured by a first lien on the net revenues of the Solid Waste Fund.

As of June 30, 2007, the County has \$7,183,041 in outstanding special obligation bonds. These bonds are fully paid from the revenues of the Solid Waste fund.

Below is a recap of the changes in our debt obligations during the fiscal year.

Summary of Debt Obligations

	Balance 6/30/2006	Increases	Decreases	Balance 6/30/2007
Governmental Activities:				
General Obligations Bonds	\$ 74,530,000	\$ -	\$ 3,975,000	\$ 70,555,000
Installment Purchase Obligations	16,292,000	846,527	1,784,885	15,353,642
Certificates of Participation	15,500,000	-	775,000	14,725,000
Business-type activities:				
Special Obligation Bonds	8,570,339	-	1,387,298	7,183,041
Total Debt Service	\$ 114,892,339	\$ 846,527	\$ 7,922,183	\$ 107,816,683

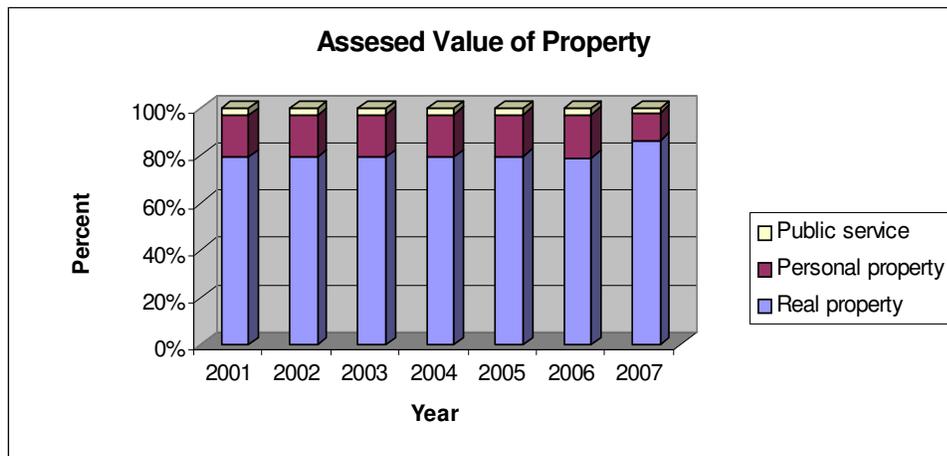
AD VALOREM (PROPERTY) TAXES

Property taxes are the largest single revenue source for the County. In fiscal year 2006-07 collections totaled \$53.65 million dollars for 40.82% of the county general fund revenues. The total assessed value of property in the county is \$10,525,892,537. Of this, the total assessed value of the ten largest taxpayers' accounts for 3.29%. The County tax rate of .503 cents per hundred is well below the state legal limit of \$1.50.

Principal Property Tax Payers

June 30, 2007

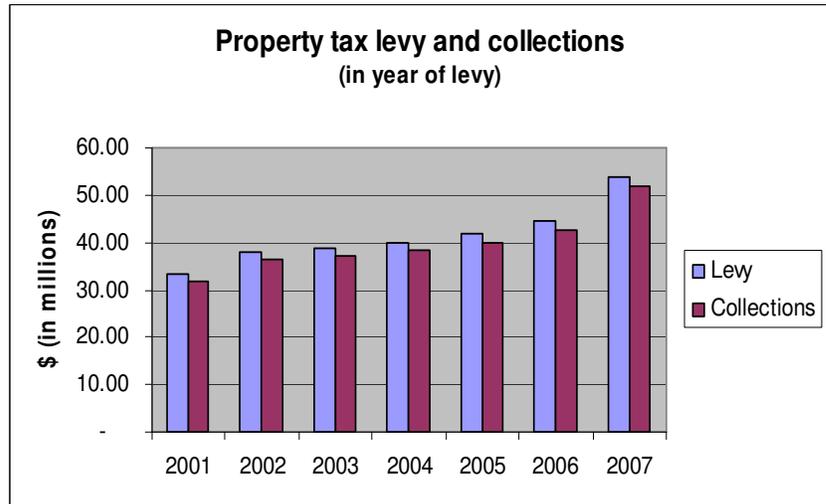
Taxpayer	Type of Enterprise	Taxable Assessed Value	Percentage of Total Taxable Assessed Valuation
Jones Onslow EMC	Utility	\$ 88,687,007	0.84%
Carolina Telephone	Telephone	55,852,283	0.53%
Carolina Power & Light	Utility	37,306,935	0.35%
Crown America Acquisition Assoc II LP	Commercial real estate rental/sales	36,967,910	0.35%
Brunswick Timber LLC	Timber Mgt	33,394,192	0.32%
Island Camp Inc & Others	Resort campground	24,501,100	0.23%
Robert J Finlay	Real estate	23,919,920	0.23%
Kenneth P Whichard Jr	Commercial real estate	16,547,831	0.16%
Marine Federal Credit Union	Banking	15,637,470	0.15%
Jacksonville Commons LLC	Real estate	13,659,132	0.13%
Total		\$ 346,473,780	3.29%



Real property makes up the majority (86.22%) of the value of property assessed for taxes. For 2007 the personal property (cars, boats, airplanes, equipment, campers, etc.) was 11.92% and public service companies (Jones-Onslow EMC, Progress Energy, railroads, natural gas, etc.) was 1.86%.

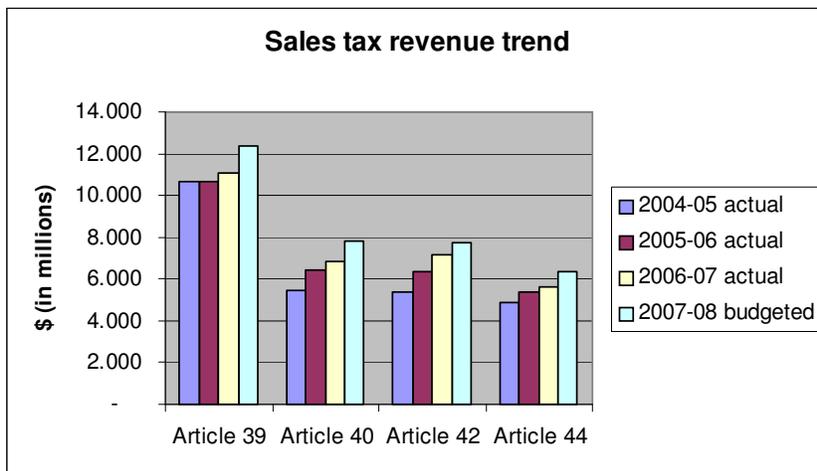
Real and personal property assessments are the responsibility of the tax office. Real property assessed values are determined by periodic countywide revaluations, while personal property assessments are determined annually. The one exception is for public service companies whose values are established by the North Carolina Department of Revenue.

Property tax collection rates for current years taxes have held fairly steady with a low of 95.70% in 2000 to a high of 96.81% in 2007. This collection rate yielded \$51.94 million of the \$53.65 million levy. In addition, collections of prior year taxes were \$1,487,000. This brings the total collections for taxes to \$53.42 million.



LOCAL OPTION SALES TAXES

The local option sales tax is collected on retail sales. The sales taxes are collected at the time of sale by the retail establishment and forwarded to the North Carolina Department of Revenue. The Department of Revenue then distributes the taxes collected to the County and the municipalities within the county. During April 2007 the Board of Commissioners voted to change the distribution for Onslow County from a population basis to ad valorem basis effective July 1, 2007. The fiscal year revenue from sales taxes was \$30.7 million or 23.4% of the general fund revenues.



The article by which the North Carolina General Assembly provided the county with the authority to levy the tax is used to identify each of the local option sales taxes. The total of the local options sales taxes is 2½%.

Article 39 is a 1% sales tax. The county in which the sale is made receives the proceeds of this tax.

Article 40 is a ½ % sales tax. The net proceeds are placed in a

statewide pool and distributed on a per capita basis. Of these proceeds the county is required to use 30% toward school capital outlay. Onslow County applies these funds to the payment of school bonds.

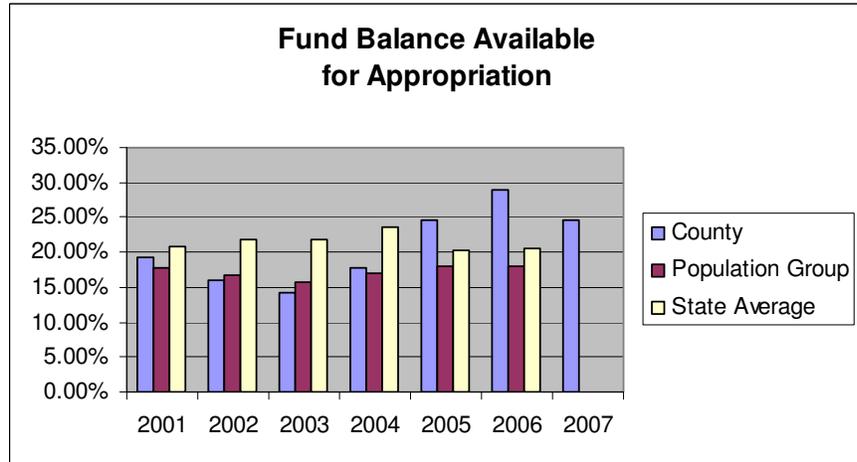
Article 42 is a ½% sales tax. The net proceeds are placed in a statewide pool and distributed on a per capita basis. Of these proceeds the county is required to use 60% towards school capital outlay. Onslow County applies these funds to the payment of school bonds.

Article 44 is a ½% sales tax. One-half of the net proceeds are distributed on the proportion to the amount of taxes collected in each county and the balance of the net proceeds is distributed on a per capita basis.

The North Carolina General Assembly has passed legislation which will change the sales taxes for the County effective July 2008. This sales tax change is in conjunction with providing Medicaid relief for the County.

FUND BALANCE

One measure of the fiscal stability of the county is the amount of fund balance available for appropriation. The North Carolina Local Government Commission recommends that at a minimum this should be 8% of the County operating expenditures and transfers to other funds. This level would provide operating funds for approximately one month. These funds can also be used to cover emergency or unforeseen events during the budget year. In the past these funds have been used by the county to cover the cost of hurricane recovery costs not covered by FEMA and provide the funds for the costs incurred until reimbursement by FEMA and the state is received. These funds also allow us to take advantage of unexpected opportunities that may arise. In addition, a strong fund balance helps the county with its bond rating as it shows that we are less likely to have a cash flow problem that would impact our ability to make the bond payment.



EDUCATION

Onslow County Schools are governed by an elected Board of Education. There are currently 35 schools operated by the school system with grades kindergarten through twelfth grade and has a student enrollment of 22,789. After-school care and before-school care is offered at selected locations. For fiscal year 2006-07 the county provided \$25.7 million towards the current operating costs of the system. The County also provided \$3.0 million for current capital outlay needs of the Onslow County Schools. The county has committed to increase funding for current expenses in order to move closer to the state average per pupil. With the opening of the new and expanded facilities as a result the recent bond issues there will also be future increases in funding needed in this area.



The county is also in the middle of a major construction projects with the schools. Over FY 06-07 and FY 07-08 this construction of new facilities and expansions to existing facilities will be slightly over \$100 million.

Camp Lejeune operates a school system for military dependents that live in military housing on base. The system consists of eight schools with a student population of approximately 3,135 and a staff of 500. This system is funded through the Department of Defense and is independent of the County.



Coastal Carolina Community College serves the citizens of the area by offering curriculum programs in vocational, technical, and college-transfer areas of study. They have 127 full time instructors with 5,482 curriculum and 17,831 continuing education students. The college is governed by a twelve-member Board of Trustees. The County provided \$2.3 million for current expenses and \$300,000 for capital outlay needs of Coastal Carolina Community College.

HOSPITALS

Onslow Memorial Hospital is an acute care community hospital. The Onslow Memorial Hospital Authority has the responsibility for the operation of the hospital. The Board of Commissioners appoints the Authority members. The hospital is currently in the process of a 93,000 square foot expansion of its emergency department and surgical services area. This expansion is being financed by the sale of tax-exempt revenue bonds by the Onslow Memorial Hospital Authority. The revenues from the operations of the hospital will be used to repay this debt.



The Naval Hospital at Camp Lejeune is a fully accredited facility, which provides care to active-duty services members, military retirees, and their family members.

ACCOMPLISHMENTS and MILESTONES FOR 2006-07

The Onslow County Board of Education broke ground in August for the new Meadow View Elementary School. This construction is a part of the capital projects plan of the Board of Education.

In September 2006 the Board of Commissioners celebrated 138th anniversary of the commissioner form of government in Onslow County.

During October the county joined with the National Association of Counties (NACo) as a participant in its prescription drug discount card program. This program offers an average savings of 20 percent off the retail price of commonly prescribed drugs at no cost to the citizen or county.

In October, Onslow County, its coastal towns of Swansboro and North Topsail Beach, along with Marine Corps Camp Lejeune became the first North Carolina County to be deemed TsunamiReady by the National Oceanic and Atmospheric Administration.

In November the Board of Commissioners received the North Carolina School Boards Association County Commissioner Award. The award is given to a board of county commissioners, nominated by the local board of education, in recognition of their extraordinary efforts.

During November the tax office began offering a tax collections website that citizens and professional organizations can use to search, view, and pay taxes on-line. Citizens can also print tax forms and obtain information regarding listing property and paying taxes in Onslow County.

The number of airlines serving the county increased in December when Delta Airlines began service with four flights daily between Jacksonville and Atlanta.

December also marked the completion of negotiations with Cape Fear Precast, LLC. to become the first tenant in our industrial park.



December marked a time of change in the Register of Deeds office. Mrs. Mildred Thomas retired after 69 years of service to Onslow County. Mrs. Thomas began work in the Register of Deeds office in 1937 and was later appointed as Register of Deeds. She was the first woman to hold elected office in Onslow County when she won her first election to the office in 1948. At the time of her retirement she was the state’s longest-serving elected official. Upon her retirement she was presented with The Old North State Award “for dedication and service beyond expectation and excellence”.

FUTURE PROJECTS

The Board of Education continues to see growth. As we are impacted by the new increase in the number of military personnel there will be a continued need to provide school facilities.

To meet the needs of our Public Library, efforts are underway to look at the library of the future and the need for a new main library and expansions or replacements of several of our branch library sites.

The County Jail/Sheriff Facility has been studied to determine how and where to handle the need for expansion. It is currently planned that this facility would house 500 inmates and would be located in an area near the current jail facility and connect to the District and Superior Courthouses. During fiscal year 2007-08, we will complete the design of the facility with construction to begin late in the fiscal year 2007-08 or early 2008-09.



Plans are underway to meet the need for the County to construct an Administration Building. This facility will bring into one facility departments such as administration, Board of Commissioners meeting room, finance, tax, human resources, purchasing, information technology, planning and zoning, environmental health, Register of Deeds, and elections. Current County offices are in several buildings, including several rented facilities in locations separated from other related services. A central administrative building would increase efficiency for both the employees of the county and the citizens as they conduct County business.

AWARDS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Onslow County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 20, 2006. This was the sixteenth (16th) consecutive year that Onslow County has received this prestigious award. In order to be awarded a Certificate of Achievement, Onslow County published an easily readable and efficiently organized financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we will be submitting our 2007 CAFR to the GFOA also.

The Government Finance Officers Association (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Onslow County for its Popular Annual Financial report for the fiscal year ended June 30, 2006. The Award for Outstanding Achievement in Popular Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting if valid for a one year period only, we believe our current report continues to conform to requirements of the Popular Annual Financial Reporting and we will be submitting our 2007 PAFR to the GFOA also.

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Onslow County, North Carolina for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget for fiscal year beginning July 1, 2007 continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility.

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

**Onslow County
North Carolina**

for the Fiscal Year Ended

June 30, 2006



Cheryl S. Cox
President

Jeffrey L. Esser
Executive Director

This Popular Annual Financial Report was prepared by:

The County of Onslow, North Carolina
Finance Office
Alvin W. Barrett, Jr.-Deputy County Manager/Finance Officer
615 Court Street
Jacksonville, N.C. 28540

Many thanks to the finance staff and county department heads who contributed to the successful completion of this report and to Lisa Whitman-Grice for providing the brief history of the County. In addition to the Onslow County 2007 CAFR, the source for some of the information contained in this PAFR is the 2005 Camp Lejeune Economic Impact Report.