

DEBT SERVICE

General Fund debt service is responsible for the accumulation and appropriation of resources for repayment of general long-term debt other than debt accounted for in the Enterprise Funds. Debt service payments include principal, interest and other related charges. Debt service for all governmental funds, except Mental Health, is budgeted in the General Fund and is paid from General Fund revenue. Mental Health debt service is paid from Mental Health revenue. In general, debt service for the Enterprise Funds is budgeted in the appropriate Enterprise Fund and is paid from revenue generated by the respective Enterprise Fund. However, debt service for the Coliseum is partially funded with General Fund revenue. The types of long-term debt budgeted in the General Fund include general obligation bonds, certificates of participation, and promissory notes. Debt service for certificates of participation used to finance construction of the Coliseum is budgeted in the appropriate Enterprise Fund.

Based upon the N.C. General Statutes, the net debt for any county may not exceed 8 percent of the total assessed value of real and personal property. General obligation bond debt of \$115,895,000 at June 30, 2004 is significantly less than the legal limit of approximately \$1,000,000,000. Debt service payments represent 4.15% of total expenditures for FY 2004 and 4.26% of budgeted expenditures for FY 2005. In FY 1998, the County issued general obligation bonds in the amounts of \$53,180,000 for school construction and \$11,400,000 for construction of new library facilities. Also, in FY 1998, the County issued certificates of participation in the amount of \$37,350,000 for construction of a new Social Services Building and the Community Corrections Center. In FY 1999, the County issued refunding certificates of participation in the amount of \$52,950,000 to refinance construction of the Coliseum Complex. In FY 2000, the County issued general obligation school bonds in the amount of \$29,945,000. The County also issued certificates of participation in the amount of \$51,615,000 in FY 2000 to finance construction of a new jail and to renovate an office building for Mental Health. In FY 2001, the County issued refunding certificates of participation in the amount of \$50,780,000 to refinance construction of the new jail and renovation of the office building for Mental Health. In July 2003, the County issued general obligation school bonds in the amount of \$14,875,000. In FY 2005, the County plans to issue two-thirds general obligation school bonds in the amount of \$5,076,000 for construction of new classrooms to ease overcrowding at several schools. Also during FY 2005, the County plans to refinance up to \$20,000,000 of certain other school and library general obligation bond debt. The County believes that the debt obligations of the County are prudent and remain within manageable levels.

In July 2002, the North Carolina Municipal Council upgraded its debt rating for the County from 85 to 86. In February 2000, Moody's upgraded the County's debt rating from A1 to Aa3. In September 1999, the County received an upgrade of its debt rating by Standard & Poors from A+ to AA-. The ratings remain in effect as of June 30, 2004. The County does not currently anticipate any changes in the ratings.