CITIZENS OF NEW HANOVER COUNTY:

I am pleased to present the first New Hanover County Financial Highlights for fiscal year 2009 – 2010.

This report provides select financial information and related data, specifically highlighting information on the General Fund, the County's primary operating fund. It is a supplement to, not a replacement of, New Hanover County’s Comprehensive Annual Financial Report. The annual report is a more detailed and complete financial presentation prepared in accordance with Generally Accepted Accounting Principles and was audited by New Hanover County’s independent external auditors. The annual report is available at New Hanover County public libraries and online at www.nhcgov.com/AgnAndDpt/Finc/Pages/Home.aspx.

This abbreviated report represents New Hanover County’s continuing commitment to inform the public of its financial activities and accountability as stewards of public funds.

Recent years have presented unprecedented economic challenges. The County acted swiftly and decisively to mitigate the effects of lower revenues through reduction of County expenditures. Personnel costs were reduced through employee layoffs, employee furloughs, position freezes, and implementation of early retirement incentive programs. Expenditures were scrutinized and reduced. The favorable results of these measures are clearly reflected in the County's strong available fund balance and Aaa bond rating. Both of these areas are discussed in more detail in this report.

As you read through this report, you will gain an appreciation for the place we call home – the amenities offered, the strong economic condition, and the positive economic outlook. Your questions and comments related to this report are welcome. Please contact the Finance Director by telephone at (910)798-7187, or by mail at:

Finance Director
New Hanover County
230 Government Center Drive, Suite 165
Wilmington, North Carolina 28403.

Bruce T. Shell

Bruce T. Shell,
County Manager
NEW HANOVER COUNTY BOARD OF COMMISSIONERS

The County utilizes a County Manager form of government with five Commissioners who serve four-year staggered terms. The Chairman is elected by the Commissioners each year for a one year term. The County Manager, County Attorney, and the Clerk to the Board are appointed by, and serve at the pleasure of, the County Commissioners. Commissioners hold policy-making and legislative authority. They are also responsible for adopting the annual budget. The County Manager is the chief executive officer and prepares and recommends the annual budget in addition to being responsible for implementing policies, managing daily operations and appointing the department heads.

New Hanover County Commissioners and appointed officials as of June 30, 2010:

Jason R. Thompson, Chairman
Jonathan Barfield, Jr., Vice-Chairman
William A. Caster, Commissioner
Ted Davis, Jr., Commissioner
Robert G. Greer, Commissioner

Bruce T. Shell, County Manager
Wanda M. Copley, County Attorney
Sheila Schult, Clerk to the Board
NEW HANOVER COUNTY

New Hanover County, established in 1729, is located in the tidewater section of southeastern North Carolina on the Atlantic Coast. The surrounding terrain is low lying, with an average elevation of less than 40 feet and the highest elevation approximately 75 feet above sea level. The County is the second smallest in the state with land area totaling approximately 198 square miles. It is also the third most densely populated, with a population of 202,411.

New Hanover County was formed from Craven County, one of three original counties in North Carolina. It was named for the House of Hanover, which was then ruling Great Britain. When New Hanover County was originally established, it encompassed the current counties of Bladen, Onslow, Duplin, Brunswick and Pender. From 1734 through 1764, New Hanover County’s land was divided to create the counties of Bladen, Onslow, Duplin and Brunswick. The last division occurred in 1875 to form Pender County.

The City of Wilmington, the County seat and the largest city, is centrally located in the County. Other incorporated municipalities in the County are Wrightsville Beach, Carolina Beach, and Kure Beach. The County’s beaches provide miles of unspoiled beauty and are the area’s most popular tourist attraction. The County offers a unique combination of barrier islands, inland waterways, and river access that creates opportunities for a diversity of activities.
The County is host to numerous festivals and cultural events that draw participants from across the state and nation. These events include such diverse events as the Wilmington Azalea Festival; Cucalorus Film Festival; Airlie Gardens Concert Series; Beach Music Festival; Riverfest; North Carolina Jazz Festival; and the Pleasure Island Seafood, Blues & Jazz Festival.

The County is a unique industrial transportation hub of southeastern North Carolina; including a regional airport, a North Carolina State Port, and well-developed highway and rail system. The Wilmington International Airport (ILM), the state’s fourth busiest airport, accommodates private and commercial flights. Wilmington has direct, non-stop flights to New York, Atlanta, Charlotte, Orlando, and Philadelphia. The Port, operating by the North Carolina State Ports Authority, is one of two international deepwater ports located in North Carolina linking the state’s consumers, business and industry to world markets. The Port maintains cutting-edge services customized to meet supply chain and logistics needs. The County is served by two of the premiere national rail companies: CSX and Norfolk Southern Railways. The County has both north to south and east to west rail lines. In the County, ninety-four percent of the population lives within ten miles of a four-lane highway. The region has ready access to North-South Interstate 95, East-West Interstate 40, and the developing East-West Interstate 73/74.

New Hanover Regional Medical Center, one of only twelve trauma centers in the state, is located in the County. The Medical Center has continued to expand to meet the needs of the area. With completion of the most recent expansion, the Betty H. Cameron Women’s and Children’s Hospital, the Medical Center now provides pediatric intensive care, a service previously unavailable locally.

The County is home to two public institutions of higher learning, Cape Fear Community College and the University of North Carolina at Wilmington, which provide both degree and enrichment programs to area citizens.

The County provides its citizens with a wide range of services; including human services, public safety, economic and physical development, culture and recreation, storm water management and environmental protection. The County also extends financial support to certain agencies and commissions to assist their efforts in serving citizens.

In April of 2010, County Commissioners initiated the program “Underneath it All,” designed to educate area residents about the responsibilities and partnerships which improve and sustain the community’s quality of life. The program will re-introduce our
citizens to the vast array of services provided by the County, including mandated health and safety activities many do not realize are County funded.

County government was reorganized during the fiscal year to more effectively serve its citizens. The Senior Resources Center merged into the County’s Parks and Gardens department; Planning and Inspections operations were merged; and Emergency Management and 911 services merged. A new Development Services Center was established to provide a one-stop location for services involving development and construction in New Hanover County.

The County, in conjunction with the City of Wilmington, was the first site in the United States to convert from analog to digital television broadcast frequencies. Accordingly, the area was granted an experimental license to test white space technology by the Federal Communications Commission. Only five such licenses are issued in the country. White space consists of the vacant airwaves between TV channels created with the conversion to digital signals. The County has been a pioneer in testing the use of white spaces and is noted in the FCC’s National Broadband plan as a model of the usability of the spectrum. In addition to providing wireless Internet at local parks, white space spectrum is also used locally for video surveillance at parks and Wilmington’s Creekwood Housing Development.

The County has received awards for both its financial and budget reporting for many years. The Finance Department was awarded the Certificate for Excellence in Financial Reporting from the Government Finance Officers Association for the 30th consecutive year. The Budget Department was awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association for the 19th consecutive year.

**GENERAL FUND**

The General Fund is the County’s primary operating fund. Services provided by the general fund include social services, health, animal control, parks, senior services, veteran services, planning, inspections, courts, and Sheriff.
Where does our money come from?

General Fund
Revenues
FY2009-2010

Charges for services 4%

Intergovernmental revenue 18%

Other taxes, including sales taxes 16%

Other 1%

Property taxes, including interest 51%
<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes, including interest</td>
<td>$ 153,149,665</td>
</tr>
<tr>
<td>Other taxes, including sales taxes</td>
<td>$ 41,271,837</td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td>$ 45,378,112</td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 8,822,208</td>
</tr>
<tr>
<td>Other revenues</td>
<td>$ 1,585,657</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$ 250,207,479</td>
</tr>
</tbody>
</table>

Property tax revenues are the tax dollars received for the real and personal property within the County. This includes the taxes paid on residential and commercial real estate, motor vehicles, boats, and trailers.

Other taxes revenue consists primarily of sales taxes and real property transfer taxes collected by the Register of Deeds. Real property transfer taxes are more commonly referred to as deed stamps or deed stamp taxes.

Intergovernmental revenues consist of monies provided the County through other government agencies, primarily the State of North Carolina and US Government. The majority of the County's intergovernmental revenue helps fund Health Department operations and Social Services functions.

Charges for services represent the revenue received from the various fees charged by County departments; including such diverse activities as Parks & Gardens, Planning and Inspections, Health, Register of Deeds, and Sheriff.

The County's 'other' revenue category represents a very small percentage of the general fund revenues (1%) and includes repayments of special assessments and investment (interest) earnings.
Where does our money go?

General Fund Expenditures
FY 2009-2010

- Debt service: 10%
- General government: 12%
- Human services: 21%
- Education-public schools: 32%
- Public safety: 18%
- Economic and physical development: 1%
- Culture and recreation: 4%
- Education community college: 2%
General government  $  29,485,936
Human services  53,253,360
Public safety  45,144,306
Economic and physical development  1,250,925
Culture and recreation  9,635,673
Education-community college  5,841,767
Education-public schools  80,888,692
Debt service  24,204,768
Total expenditures  $  249,705,427

General government expenditures encompass County administrative and general operations. Departments included in general government are administration, elections, budget, development services, finance, County commissioners, human resources, information technology, legal services, property management, Register of deeds, and tax.

Human services activities include health, social services, and veteran services.

Public safety departments are courts, emergency management and 911 communications, juvenile services, planning and inspections, pretrial release, Sheriff, and Youth Empowerment Services (YES).

Economic and physical development activities include funding provided Wilmington Industrial Development, Southeastern Economic Development, and Wilmington Regional Film Commission. Also in this category are economic incentives paid to General Electric, Fortron Industries, and Verizon Wireless.

Culture and recreation expenditures are for cooperative extension services; library; museum; and parks, gardens and senior resource center.

The County provides some operating funds for Cape Fear Community College (CFCC) and pays the cost of debt borrowed by the County for construction of CFCC buildings.

The County provides operating funds to the public schools and must provide school facilities. The public school education expenditures include approximately $61 million to fund annual operations and approximately $20 million to pay interest
and principal on debt issued for school construction.

Debt service expenditures consist of principal, interest, and any issuance costs associated with long-term debt issued by the County. This debt is in the form of either general obligation bonds or installment debt.

FUND BALANCE

Fund balance can most easily be thought of as the County's savings account. Funds must be available for cash flow and costs associated with emergency situations. The County Commissioners have established an available fund balance goal for the General Fund of 16.67%, or two months' operating expenses.

As noted in the chart above, the County has met the available fund balance goal in three of the last five years despite the nationwide economic recession. The County not only took actions early, but continues to monitor its revenues and expenditures to mitigate recession effects. These actions are evidenced by the return to fund balance goal in fiscal year 2009 – 2010. Healthy fund balance is a determining factor in achieving and maintaining higher bond ratings (discussed on page 14).
PROPERTY TAXES

In 2010 the County's top ten property taxpayers comprise just over 3% of the total. This is a clear indication of the County's diversified tax base.

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Taxable Assessed Value</th>
<th>Taxable Assessed Value of Total County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progress Energy</td>
<td>$281,660,480</td>
<td>0.84%</td>
</tr>
<tr>
<td>General Electric Company</td>
<td>216,948,212</td>
<td>0.64%</td>
</tr>
<tr>
<td>Comings, Inc.</td>
<td>192,588,394</td>
<td>0.57%</td>
</tr>
<tr>
<td>BellSouth Telecommunications</td>
<td>79,942,143</td>
<td>0.24%</td>
</tr>
<tr>
<td>Fortron Industries</td>
<td>54,831,526</td>
<td>0.16%</td>
</tr>
<tr>
<td>Arteva Specialities</td>
<td>51,716,618</td>
<td>0.15%</td>
</tr>
<tr>
<td>Centro Independence LLC</td>
<td>50,436,737</td>
<td>0.15%</td>
</tr>
<tr>
<td>GF Management Company LLC</td>
<td>49,774,352</td>
<td>0.15%</td>
</tr>
<tr>
<td>PPD</td>
<td>48,361,234</td>
<td>0.14%</td>
</tr>
<tr>
<td>Global Nuclear Fuel Americas LLC</td>
<td>44,595,778</td>
<td>0.13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,070,845,474</strong></td>
<td><strong>3.18%</strong></td>
</tr>
</tbody>
</table>

Total taxable assessed value $33,674,505,469

The County collects nearly 100% of property taxes levied. In 2010, 99.80% of the levy was collected, exceeding the statewide average of 97.05% by 2.75%. This excellent collection rate was accomplished in spite of the economic recession.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Property Taxes Levied for the Fiscal Year</th>
<th>Amount</th>
<th>Percentage of Levy</th>
<th>Property Taxes Collected Within the Fiscal Year of the Levy</th>
<th>Percentage</th>
<th>Property Tax Collections in Subsequent Years</th>
<th>Amount</th>
<th>Percentage of Levy</th>
<th>Property Tax Total Collections to Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>127,712,283</td>
<td>125,732,975</td>
<td>98.45</td>
<td>1,810,464</td>
<td>99.87%</td>
<td>127,543,468</td>
<td>99.87%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>133,831,150</td>
<td>131,522,360</td>
<td>98.27</td>
<td>1,718,400</td>
<td>99.56%</td>
<td>133,240,760</td>
<td>99.56%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>139,222,476</td>
<td>136,794,279</td>
<td>96.26</td>
<td>1,751,897</td>
<td>99.51%</td>
<td>138,546,176</td>
<td>99.51%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>151,208,013</td>
<td>149,085,288</td>
<td>98.60</td>
<td>2,040,387</td>
<td>99.95%</td>
<td>151,125,655</td>
<td>99.95%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>152,793,146</td>
<td>150,719,243</td>
<td>98.64</td>
<td>1,763,311</td>
<td>99.80%</td>
<td>152,482,554</td>
<td>99.80%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: County Tax Department.
COUNTY BOND RATING

The County receives bond ratings from both Moody’s Investor Service and Standard and Poor’s Corporation. The higher the County’s ratings, the lower the interest rate charged. Put another way, as the bond rating increases the cost of borrowing decreases, saving tax dollars. The County received an upgrade through recalibration to Aaa in fiscal year 2009-2010 from Moody’s, and maintained its AA+ rating from Standard and Poor’s.

The diversity in taxpayers and high tax collection rates (both discussed on page 13) are two factors used in bond ratings. Another major positive factor in the County’s high rating is available fund balance as a percentage of expenditures (page 12). Additional positive factors in the high bond rating are related to County debt. Our bonded debt per capital and our percentage of debt issued to the allowable debt limit are both discussed on pages 15 and 16.Comparatively low unemployment (page 16) and diversity of employers (page 17) are also positive factors in the County’s high bond rating.

COUNTY DEBT

The County borrows money for purchase of select capital assets through the issuance of bonded and installment debt. The payment terms for these purchases do not exceed the expected useful life of the financed assets.

The County can issue several types of long-term debt. General obligation bonds offer the strongest form of security that a government can pledge and must be approved by a vote of the citizens. General obligation bonds pledge the full faith and credit of the government, and serve as a promise by the County to levy whatever amount of property tax is necessary to repay the debt.

Revenue-backed bonds can also be used to finance the purchase of capital assets and are a pledge of the revenues generated by the debt-financed asset or the activity for which it is a part.

Another type of financing available is the issuance of special obligation bonds, which pledge any revenue source available to the County other than a local tax under the government’s control.
A final financing method is installment debt, or the pledge of the financed asset as loan collateral.

New Hanover County's debt is only in the form of general obligation bonds or installment debt. The County has no outstanding revenue-backed or special obligation bonds. The North Carolina Local Government Commission reviews, approves, and supervises the issuance of all general obligation debt issued by the state's local governments. Any significant installment debt issuance must also be processed through the Local Government Commission. Further, the Local Government Commission monitors debt service payments annually on all debt issued through them.

The chart below compares the County's bonded debt per citizen to the average of the other Aaa-rated counties in North Carolina: Durham, Forsyth, Guilford, Mecklenburg, and Wake. New Hanover County compares very favorably with the Aaa average, and only in fiscal year 2009-2010, with the issuance of voter approved parks and community college debt, did the County's per capita debt exceed the average.

![Bonded Debt per Capita Chart]

The County's total debt outstanding is shown in the chart on the next page. Voter approved, general obligation debt, comprises nearly 75 percent of the debt outstanding at June 30, 2010.
The County’s legal debt limit, as established by North Carolina law, was $2.69 billion at June 30, 2010. New Hanover County’s debt applicable to this limit is $539 million, or only 20.01 percent. This debt is comprised of debt issued and outstanding as well as voter-authorized Cape Fear Community College bonds not yet issued. This high debt margin is another factor in the County’s continued high bond rating.

ECONOMIC CONDITION AND OUTLOOK

In fiscal year 2010, the local economy continued to feel the effects of the current national recession. The County’s unemployment rate of 9.4% for June 30, 2010, down .2% from June 30, 2009, is below the State rate of 10.2% and below the nation’s 9.6%. Growth in most sectors of the local economy has slowed, with the housing industry accounting for most of the job losses. During the expected economic recovery, the County’s economic base is expected to grow in diversity given its regional importance as a retail services and health care center for Southeastern North Carolina, as well as a tourism destination and educational community.
Employment by the top County employers in 2010 is less than 24% of total County employment as shown in the chart below. This is one measure of the County's economic diversity, and another factor in the County's continued high bond ratings discussed on page 14.

<table>
<thead>
<tr>
<th>Employer</th>
<th>Percentage of Total County Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hanover Health Network</td>
<td>5.17%</td>
</tr>
<tr>
<td>New Hanover County Board of Education</td>
<td>4.37%</td>
</tr>
<tr>
<td>General Electric</td>
<td>3.17%</td>
</tr>
<tr>
<td>University of NC at Wilmington</td>
<td>1.91%</td>
</tr>
<tr>
<td>PPD, Inc</td>
<td>1.90%</td>
</tr>
<tr>
<td>New Hanover County</td>
<td>1.77%</td>
</tr>
<tr>
<td>Cape Fear Community College</td>
<td>1.33%</td>
</tr>
<tr>
<td>City of Wilmington</td>
<td>1.27%</td>
</tr>
<tr>
<td>Verizon Wireless</td>
<td>1.27%</td>
</tr>
<tr>
<td>Comming, Inc.</td>
<td>1.06%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.22%</strong></td>
</tr>
</tbody>
</table>

The County’s diverse taxpayer base couples with the diverse employers noted above, setting the stage for future growth. As shown in the first property tax chart on page 13, the County's top ten taxpayers comprise just over three percent of its taxpayer base.

The County's beaches provide miles of unspoiled beauty and are one of the areas' most popular tourist attractions. The historic waterfront, the USS North Carolina Battleship Memorial, and the North Carolina Aquarium at Fort Fisher are other popular area attractions. The economic impact from tourism expenditures in the County for 2010 totaled $390.4 million. This number represents a 7.6% decrease over the previous year. Despite the decrease, the County maintained its rank as number eight among North Carolina’s 100 counties in tourism expenditures. The recently completed Wilmington Convention Center will help draw new visitors to the area starting in November 2010.

With over 26,500 students enrolling in classes every year, Cape Fear Community College is the fifth largest community college in the state and is a major economic development partner in southeastern North Carolina. To accommodate this growth,
voters passed a $164 million bond referendum to provide additional facilities. The County issued $70 million in general obligation bonds of the authorized debt. Construction is currently underway on a 139,000 square foot Humanities and Fine Arts building for the CFCC main campus.

The County is also home to University of North Carolina – Wilmington (UNCW), the only public university in Southeastern North Carolina. For the 12th straight year, US News & World Report has ranked UNCW as one of the top 10 public regional undergraduate universities in the South and was named as a 2010 Military Friendly School by G.I. Jobs magazine.

Your questions and comments related to this report are welcome. Please contact the Finance Director by telephone at (910)798-7187, or by mail at:

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