

BASIC FINANCIAL STATEMENTS

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CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Primary Government			Chatham County Board of Alcoholic Beverage Control
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Current assets:				
Cash, cash equivalents and investments	\$ 73,194,408	\$ 25,580,493	\$ 98,774,901	\$ 827,321
Property taxes receivable, net	2,017,094	-	2,017,094	-
Accounts receivable, net	406,014	910,371	1,316,385	231
Due from other governments	4,908,813	576,527	5,485,340	-
Other receivables	-	14,967	14,967	-
Inventories	-	-	-	237,667
Deposit on land	-	-	-	10,000
Prepaid items	-	-	-	12,067
Total current assets	<u>80,526,329</u>	<u>27,082,358</u>	<u>107,608,687</u>	<u>1,087,286</u>
Capital assets:				
Land, improvements and construction in progress	46,098,451	27,122,328	73,220,779	-
Other capital assets, net of depreciation	<u>35,060,147</u>	<u>27,289,150</u>	<u>62,349,297</u>	<u>24,735</u>
Total capital assets	<u>81,158,598</u>	<u>54,411,478</u>	<u>135,570,076</u>	<u>24,735</u>
Total assets	<u>161,684,927</u>	<u>81,493,836</u>	<u>243,178,763</u>	<u>1,112,021</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	4,763,007	970,992	5,733,999	177,873
Customer deposits	-	261,562	261,562	-
Unearned revenues	402,529	-	402,529	-
Compensated absences - current	894,512	56,367	950,879	-
Debt obligations - current	<u>3,583,523</u>	<u>975,052</u>	<u>4,558,575</u>	-
Total current liabilities	<u>9,643,571</u>	<u>2,263,973</u>	<u>11,907,544</u>	<u>177,873</u>
Noncurrent liabilities:				
Compensated absences - noncurrent	512,749	48,920	561,669	-
Debt obligations - noncurrent	<u>90,154,543</u>	<u>24,709,335</u>	<u>114,863,878</u>	-
Total noncurrent liabilities	<u>90,667,292</u>	<u>24,758,255</u>	<u>115,425,547</u>	-
Total liabilities	<u>100,310,863</u>	<u>27,022,228</u>	<u>127,333,091</u>	<u>177,873</u>
Net Assets:				
Investment in capital assets, net of related debt	15,859,270	30,882,753	46,742,023	24,735
Restricted for:				
Capital improvements	-	-	-	315,518
Working capital	-	-	-	571,597
Register of Deeds	160,439	-	160,439	-
Courthouse clocks	65,473	-	65,473	-
Education	10,616,582	-	10,616,582	-
Unrestricted	<u>34,672,300</u>	<u>23,588,855</u>	<u>58,261,155</u>	<u>22,298</u>
Total net assets	<u>\$ 61,374,064</u>	<u>\$ 54,471,608</u>	<u>\$ 115,845,672</u>	<u>\$ 934,148</u>

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

CHATHAM COUNTY, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 10,818,058	\$ 3,280,517	\$ 200,550	\$ -
Public safety	16,990,469	629,957	1,238,785	-
Economic and physical development	2,942,520	77,404	51,288	-
Human services	16,982,791	1,242,156	8,293,361	-
Cultural and recreational	1,492,221	203,736	291,135	88,350
Education	26,912,507	-	2,910,859	-
Interest on long-term debt	4,338,047	-	-	-
Total governmental activities	<u>80,476,613</u>	<u>5,433,770</u>	<u>12,985,978</u>	<u>88,350</u>
Business-Type Activities:				
Utility	5,414,372	5,445,328	399,882	797,520
Southeast Water District	38,429	469,586	-	-
Solid waste management	2,614,383	2,831,568	180,728	-
Total business-type activities	<u>8,067,184</u>	<u>8,746,482</u>	<u>580,610</u>	<u>797,520</u>
Total primary government	<u>\$ 88,543,797</u>	<u>\$ 14,180,252</u>	<u>\$ 13,566,588</u>	<u>\$ 885,870</u>
Component Unit:				
Chatham County Board of Alcoholic Beverage Control	<u>\$ 1,638,004</u>	<u>\$ 1,714,792</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Local option sales tax
 - Other taxes and licenses
 - Miscellaneous unrestricted
 - Unrestricted investment earnings
 - Miscellaneous
- Total General Revenues

Transfers

Total general revenues and transfers

Change in net assets

Net Assets:

Beginning of year - July 1

End of year - June 30

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			<u>Chatham</u>
<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>	<u>County Board</u>
<u>Activities</u>	<u>Activities</u>		<u>of Alcoholic</u>
			<u>Beverage Control</u>
\$ (7,336,991)	\$ -	\$ (7,336,991)	
(15,121,727)	-	(15,121,727)	
(2,813,828)	-	(2,813,828)	
(7,447,274)	-	(7,447,274)	
(909,000)	-	(909,000)	
(24,001,648)	-	(24,001,648)	
(4,338,047)	-	(4,338,047)	
<u>(61,968,515)</u>	<u>-</u>	<u>(61,968,515)</u>	
-	1,228,358	1,228,358	
-	431,157	431,157	
-	<u>397,913</u>	<u>397,913</u>	
-	<u>2,057,428</u>	<u>2,057,428</u>	
<u>(61,968,515)</u>	<u>2,057,428</u>	<u>(59,911,087)</u>	
			\$ <u>76,788</u>
56,250,972	-	56,250,972	-
8,063,692	-	8,063,692	-
666,961	-	666,961	-
510,701	-	510,701	-
448,324	80,987	529,311	1,175
828,363	-	828,363	-
<u>66,769,013</u>	<u>80,987</u>	<u>66,850,000</u>	<u>1,175</u>
<u>(769,779)</u>	<u>769,779</u>	<u>-</u>	<u>-</u>
<u>65,999,234</u>	<u>850,766</u>	<u>66,850,000</u>	<u>1,175</u>
4,030,719	2,908,194	6,938,913	77,963
<u>57,343,345</u>	<u>51,563,414</u>	<u>108,906,759</u>	<u>856,185</u>
<u>\$ 61,374,064</u>	<u>\$ 54,471,608</u>	<u>\$ 115,845,672</u>	<u>\$ 934,148</u>

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

CHATHAM COUNTY, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Major Funds		
	General	Impact Fees	Capital Improvements Reserve
Assets:			
Cash, cash equivalents and investments	\$ 20,382,513	\$ 10,615,731	\$ 15,286,484
Taxes receivable, net	1,860,582	-	-
Due from other governments	3,363,788	-	-
Due from other funds	-	-	64,459
Other receivables	403,793	851	687
Total assets	\$ 26,010,676	\$ 10,616,582	\$ 15,351,630
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,825,538	\$ -	\$ -
Due to other funds	-	-	-
Unearned revenue	370,208	-	-
Deferred revenue	1,880,415	-	-
Total liabilities	4,076,161	-	-
Fund Balances:			
Reserved:			
Reserved by State statute	3,747,748	851	65,146
Reserved for Register of Deeds	160,439	-	-
Reserved for courthouse clocks	-	-	-
Unreserved:			
Designated for subsequent year's expenditures:			
General Fund	3,956,467	-	-
Impact Fees Fund	-	5,929,107	-
Capital Improvements Reserve	-	-	1,022,266
Designated for subsequent year's expenditures, reported in nonmajor funds:			
Special revenue funds	-	-	-
Unreserved, reported in:			
General Fund	14,069,861	-	-
Impact Fees Fund	-	4,686,624	-
Capital Improvements Reserve	-	-	14,264,218
Unreserved, reported in non-major funds:			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Total fund balances	21,934,515	10,616,582	15,351,630
Total liabilities and fund balances	\$ 26,010,676	\$ 10,616,582	\$ 15,351,630

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:

- Fund balance as reported in the balance sheet - governmental funds
- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Assets and liabilities of the self-insurance internal service fund used by management to account for certain insurance costs are included in governmental activities in the Statement of Net Assets.
- Liabilities for earned, but deferred, revenues in fund statements.
- Compensated absences not expected to be materially liquidated with expendable available resources.
- Other Post-Employment Benefits that are not due and payable in the current period
- Long-term liabilities, including bonds payable and installment purchases, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

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

Exhibit C

<u>Facilities Improvements</u>	<u>School Construction Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 6,679,538	\$ 10,932,998	\$ 5,324,655	\$ 69,221,919
-	-	156,512	2,017,094
222,430	274,279	1,048,316	4,908,813
-	-	-	64,459
-	-	393	405,724
<u>\$ 6,901,968</u>	<u>\$ 11,207,277</u>	<u>\$ 6,529,876</u>	<u>\$ 76,618,009</u>

\$ 1,535,055	\$ 1,344,517	\$ 57,897	\$ 4,763,007
64,459	-	-	64,459
-	-	32,321	402,529
-	-	156,512	2,036,927
<u>1,599,514</u>	<u>1,344,517</u>	<u>246,730</u>	<u>7,266,922</u>

-	-	1,016,948	4,830,693
-	-	-	160,439
-	-	65,473	65,473

-	-	-	3,956,467
-	-	-	5,929,107
-	-	-	-

-	-	2,556,015	2,556,015
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-	-	-	14,069,861
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-	-	-	4,686,624
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5,302,454	9,862,760	-	29,429,432
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-	-	2,519,570	2,519,570
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-	-	125,140	125,140
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<u>5,302,454</u>	<u>9,862,760</u>	<u>6,283,146</u>	<u>69,351,087</u>
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<u>\$ 6,901,968</u>	<u>\$ 11,207,277</u>	<u>\$ 6,529,876</u>	<u>\$ 76,618,009</u>
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\$ 69,351,087

81,158,598

3,972,779

2,036,927

(1,407,261)

(721,933)

(93,016,133)

\$ 61,374,064

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

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Major Funds					Total Nonmajor Funds	Total Governmental Funds
	General	Impact Fees	Capital Improvement Reserve	Facilities Project	School Construction		
Revenues:							
Ad valorem taxes	\$ 51,382,652	\$ -	\$ -	\$ -	\$ -	\$ 5,060,287	\$ 56,442,939
Local option sales tax	8,063,692	-	-	-	-	-	8,063,692
Other taxes	666,961	-	-	-	-	-	666,961
Unrestricted intergovernmental	510,701	-	-	-	-	-	510,701
Restricted intergovernmental	9,198,873	-	1,768,953	-	-	1,728,895	12,696,721
Permits and fees	835,492	1,825,700	-	-	-	146,232	2,807,424
Sales and services	2,140,541	-	-	-	-	-	2,140,541
Investment earnings	206,054	51,322	41,878	52,069	51,025	26,219	428,567
Other general revenues	1,172,386	-	-	7,656	-	28,347	1,208,389
Total revenues	<u>74,177,352</u>	<u>1,877,022</u>	<u>1,810,831</u>	<u>59,725</u>	<u>51,025</u>	<u>6,989,980</u>	<u>84,965,935</u>
Expenditures:							
Current:							
General government	8,367,473	-	-	115,452	-	685	8,483,610
Public safety	11,460,541	-	-	57,335	-	6,006,642	17,524,518
Economic and physical development	2,042,314	-	-	-	-	1,201,675	3,243,989
Human services	17,894,320	-	-	-	-	-	17,894,320
Cultural and recreational	1,374,227	-	-	4,830,921	-	210,296	6,415,444
Intergovernmental:							
Education	26,175,309	-	-	6,861,726	15,071,699	-	48,108,734
Debt service:							
Principal retirement	3,618,029	-	-	-	-	-	3,618,029
Interest and fees	4,338,047	-	-	-	-	-	4,338,047
Total expenditures	<u>75,270,260</u>	<u>-</u>	<u>-</u>	<u>11,865,434</u>	<u>15,071,699</u>	<u>7,419,298</u>	<u>109,626,691</u>
Revenues over (under) expenditures	<u>(1,092,908)</u>	<u>1,877,022</u>	<u>1,810,831</u>	<u>(11,805,709)</u>	<u>(15,020,674)</u>	<u>(429,318)</u>	<u>(24,660,756)</u>
Other Financing Sources (Uses):							
Transfers from (to) other funds	638,435	(3,920,053)	3,126,549	-	-	(614,710)	(769,779)
Debt obligations issued	-	-	-	17,050,000	-	-	17,050,000
Total other financing sources (uses)	<u>638,435</u>	<u>(3,920,053)</u>	<u>3,126,549</u>	<u>17,050,000</u>	<u>-</u>	<u>(614,710)</u>	<u>16,280,221</u>
Net change in fund balances	(454,473)	(2,043,031)	4,937,380	5,244,291	(15,020,674)	(1,044,028)	(8,380,535)
Fund Balances:							
Beginning of year - July 1	<u>22,388,988</u>	<u>12,659,613</u>	<u>10,414,250</u>	<u>58,163</u>	<u>24,883,434</u>	<u>7,327,174</u>	<u>77,731,622</u>
End of year - June 30	<u>\$ 21,934,515</u>	<u>\$ 10,616,582</u>	<u>\$ 15,351,630</u>	<u>\$ 5,302,454</u>	<u>\$ 9,862,760</u>	<u>\$ 6,283,146</u>	<u>\$ 69,351,087</u>

CHATHAM COUNTY, NORTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Net changes in fund balances - total governmental funds \$ (8,380,535)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	28,114,915
Current year's depreciation	(2,167,352)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, 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 items. (13,431,971)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (415,514)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund statements. (194,386)

Net revenue of the Self-Insurance Internal Service Fund determined to be governmental-type. 505,562

Total change in net assets of governmental activities \$ 4,030,719

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

CHATHAM COUNTY, NORTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND
ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund				Impact	
	Original Budget	Final Budget	Actual	Variance With Final Budget Over/Under	Original Budget	Final Budget
Revenues:						
Ad valorem taxes	\$ 50,184,194	\$ 50,229,194	\$ 51,382,652	\$ 1,153,458	\$ -	\$ -
Local option sales tax	7,862,748	7,862,748	8,063,692	200,944	-	-
Other taxes	650,600	650,600	666,961	16,361	-	-
Unrestricted intergovernmental	964,430	964,430	510,701	(453,729)	-	-
Restricted intergovernmental	8,413,463	9,909,221	9,198,873	(710,348)	-	-
Permits and fees	871,400	871,400	835,492	(35,908)	660,000	660,000
Sales and services	2,047,468	2,047,468	2,140,541	93,073	-	-
Investment earnings	620,000	620,000	206,054	(413,946)	80,000	80,000
Other general revenues	363,218	955,621	1,172,386	216,765	-	-
Total revenues	<u>71,977,521</u>	<u>74,110,682</u>	<u>74,177,352</u>	<u>66,670</u>	<u>740,000</u>	<u>740,000</u>
Expenditures:						
Current:						
General government	7,766,708	9,840,138	8,367,473	1,472,665	-	-
Public safety	11,562,632	12,365,311	11,460,541	904,770	-	-
Economic and physical development	2,309,521	2,352,914	2,042,314	310,600	-	-
Human services	19,096,344	20,097,744	17,894,320	2,203,424	-	-
Cultural and recreational	1,388,856	1,598,480	1,374,227	224,253	-	-
Intergovernmental:						
Education	25,829,742	26,810,356	26,175,309	635,047	5,000,000	5,000,000
Debt service:						
Principal retirement	3,618,031	3,618,029	3,618,029	-	-	-
Interest and fees	3,616,496	4,378,049	4,338,047	40,002	-	-
Contingency	-	-	-	-	-	-
Total expenditures	<u>75,188,330</u>	<u>81,061,021</u>	<u>75,270,260</u>	<u>5,790,761</u>	<u>5,000,000</u>	<u>5,000,000</u>
Revenues over (under) expenditures	<u>(3,210,809)</u>	<u>(6,950,339)</u>	<u>(1,092,908)</u>	<u>5,857,431</u>	<u>(4,260,000)</u>	<u>(4,260,000)</u>
Other Financing Sources (Uses):						
Transfers from other funds	5,649,169	6,471,687	5,945,344	(526,343)	-	-
Transfers to other funds	(5,306,909)	(5,306,909)	(5,306,909)	-	(3,920,053)	(3,920,053)
Proceeds from borrowing	-	-	-	-	-	-
Appropriated fund balance	2,868,549	5,785,561	-	(5,785,561)	8,180,053	8,180,053
Total other financing sources (uses)	<u>3,210,809</u>	<u>6,950,339</u>	<u>638,435</u>	<u>(6,311,904)</u>	<u>4,260,000</u>	<u>4,260,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(454,473)</u>	<u>\$ (454,473)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:						
Beginning of year - July 1			<u>22,388,988</u>			
End of year - June 30			<u>\$ 21,934,515</u>			

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

Exhibit F

Fees Fund		Capital Improvement Reserve Fund			
Actual	Variance with Final Budget Over/Under	Original Budget	Final Budget	Actual	Variance With Final Budget Over/Under
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,768,953	1,768,953
1,825,700	1,165,700	-	-	-	-
-	-	-	-	-	-
51,322	(28,678)	-	-	41,878	41,878
-	-	-	-	-	-
<u>1,877,022</u>	<u>1,137,022</u>	<u>-</u>	<u>-</u>	<u>1,810,831</u>	<u>1,810,831</u>
-	-	7,981,020	7,219,469	-	7,219,469
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,022,266	1,022,266	-	1,022,266
-	5,000,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,000,000	9,003,286	8,241,735	-	8,241,735
<u>1,877,022</u>	<u>6,137,022</u>	<u>(9,003,286)</u>	<u>(8,241,735)</u>	<u>1,810,831</u>	<u>10,052,566</u>
-	-	4,537,130	4,537,130	4,537,130	-
(3,920,053)	-	(1,056,110)	(1,817,661)	(1,410,581)	407,080
-	-	-	-	-	-
-	(8,180,053)	5,522,266	5,522,266	-	(5,522,266)
<u>(3,920,053)</u>	<u>(8,180,053)</u>	<u>9,003,286</u>	<u>8,241,735</u>	<u>3,126,549</u>	<u>(5,115,186)</u>
(2,043,031)	\$ (2,043,031)	\$ -	\$ -	4,937,380	\$ 4,937,380
12,659,613				10,414,250	
<u>\$ 10,616,582</u>				<u>\$ 15,351,630</u>	

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

CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-Type Activities - Enterprise				Governmental
	Utility	Southeast Water District	Solid Waste Management	Total	Self-Insurance Internal Service
Assets:					
Current assets:					
Cash, cash equivalents and investments	\$21,612,228	\$ 635,171	\$ 3,333,094	\$ 25,580,493	\$ 3,972,489
Receivables, net	777,202	48,237	84,932	910,371	-
Due from other governments	524,828	8,925	42,774	576,527	-
Other receivables	3,369	-	11,598	14,967	290
Total current assets	<u>22,917,627</u>	<u>692,333</u>	<u>3,472,398</u>	<u>27,082,358</u>	<u>3,972,779</u>
Capital assets:					
Land, improvements and construction in progress	21,531,390	5,095,433	495,505	27,122,328	-
Other capital assets, net of depreciation	26,253,176	-	1,035,974	27,289,150	-
Total capital assets, net	<u>47,784,566</u>	<u>5,095,433</u>	<u>1,531,479</u>	<u>54,411,478</u>	<u>-</u>
Total assets	<u>\$70,702,193</u>	<u>\$ 5,787,766</u>	<u>\$ 5,003,877</u>	<u>\$ 81,493,836</u>	<u>\$ 3,972,779</u>
Liabilities and Net Assets:					
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 780,329	\$ 49,109	\$ 141,554	\$ 970,992	\$ -
Customer deposits	259,562	-	2,000	261,562	-
Compensated absences payable - current	34,547	-	21,820	56,367	-
Installment notes payable - current	975,052	-	-	975,052	-
Total current liabilities	<u>2,049,490</u>	<u>49,109</u>	<u>165,374</u>	<u>2,263,973</u>	<u>-</u>
Non-current liabilities:					
Compensated absences payable - non-current	33,465	-	15,455	48,920	-
Other post-employment benefits	39,751	-	21,073	60,824	-
Installment notes payable - non-current	19,562,511	5,086,000	-	24,648,511	-
Total non-current liabilities	<u>19,635,727</u>	<u>5,086,000</u>	<u>36,528</u>	<u>24,758,255</u>	<u>-</u>
Total liabilities	<u>21,685,217</u>	<u>5,135,109</u>	<u>201,902</u>	<u>27,022,228</u>	<u>-</u>
Net Assets:					
Invested in capital assets, net of related debt	29,129,774	221,500	1,531,479	30,882,753	-
Unrestricted	19,887,202	431,157	3,270,496	23,588,855	3,972,779
Total net assets	<u>\$49,016,976</u>	<u>\$ 652,657</u>	<u>\$ 4,801,975</u>	<u>\$ 54,471,608</u>	<u>\$ 3,972,779</u>

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

CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Utility</u>	<u>Southeast Water District</u>	<u>Solid Waste Management</u>	<u>Total</u>	<u>Governmental Activities Self-Insurance Internal Service</u>
Operating Revenues:					
Charges for services	\$ 5,441,997	\$ 469,586	\$ 2,801,234	\$ 8,712,817	\$ 4,191,881
Other operating revenues	<u>3,331</u>	<u>-</u>	<u>3,411</u>	<u>6,742</u>	<u>-</u>
Total operating revenues	<u>5,445,328</u>	<u>469,586</u>	<u>2,804,645</u>	<u>8,719,559</u>	<u>4,191,881</u>
Operating Expenses:					
Operating expenses	3,603,619	1,749	2,377,596	5,982,964	3,706,076
Depreciation	<u>1,002,538</u>	<u>-</u>	<u>236,787</u>	<u>1,239,325</u>	<u>-</u>
Total operating expenses	<u>4,606,157</u>	<u>1,749</u>	<u>2,614,383</u>	<u>7,222,289</u>	<u>3,706,076</u>
Operating Income	<u>839,171</u>	<u>467,837</u>	<u>190,262</u>	<u>1,497,270</u>	<u>485,805</u>
Non-Operating Revenues (Expenses):					
Investment earnings	68,777	-	12,210	80,987	19,757
Interest and other charges	(808,215)	(36,680)	-	(844,895)	-
Gain on sale of assets	-	-	26,923	26,923	-
Other operating grants and revenue	<u>399,882</u>	<u>-</u>	<u>180,728</u>	<u>580,610</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(339,556)</u>	<u>(36,680)</u>	<u>219,861</u>	<u>(156,375)</u>	<u>19,757</u>
Income before transfers and capital contributions	499,615	431,157	410,123	1,340,895	505,562
Capital contributions	797,520	-	-	797,520	-
Transfers from other funds, net	<u>769,779</u>	<u>-</u>	<u>-</u>	<u>769,779</u>	<u>-</u>
Transfers and capital contributions	<u>1,567,299</u>	<u>-</u>	<u>-</u>	<u>1,567,299</u>	<u>-</u>
Change in net assets	2,066,914	431,157	410,123	2,908,194	505,562
Net Assets:					
Beginning of year - July 1	46,950,062	221,500	4,391,852	51,563,414	3,467,217
End of year - June 30	<u>\$ 49,016,976</u>	<u>\$ 652,657</u>	<u>\$ 4,801,975</u>	<u>\$ 54,471,608</u>	<u>\$ 3,972,779</u>

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

CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities - Enterprise				Governmental
	Utility	Southeast Water District	Solid Waste Management	Total	Self-Insurance
					Internal Service
Cash Flows from Operating Activities:					
Cash received from customers	\$ 5,662,591	\$ 421,349	\$ 2,818,164	\$ 8,902,104	\$ 4,192,966
Cash paid for goods and services	(2,221,567)	(135,951)	(1,790,760)	(4,148,278)	(3,892,838)
Cash paid to or on behalf of employees for services	(1,197,245)	-	(615,561)	(1,812,806)	-
Customer deposits received	58,446	-	-	58,446	-
Customer deposits returned	(43,594)	-	(250)	(43,844)	-
Other operating activities	12,672	-	1,104	13,776	-
Net cash provided (used) by operating activities	<u>2,271,303</u>	<u>285,398</u>	<u>412,697</u>	<u>2,969,398</u>	<u>300,128</u>
Cash Flows from Non-capital Financing Activities:					
Intergovernmental non-operating revenues received	-	-	164,120	164,120	-
Transfers from other funds	769,779	-	-	769,779	-
Net cash provided (used) by non-capital financing activities	<u>769,779</u>	<u>-</u>	<u>164,120</u>	<u>933,899</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(783,879)	(1,236,436)	(435,750)	(2,456,065)	-
Proceeds from capital debt	-	5,086,000	-	5,086,000	-
Principal paid on bonds, notes and capital leases	(643,115)	-	-	(643,115)	-
Proceeds for sale of assets	-	-	26,923	26,923	-
Due to (from) other governments	3,900,000	(3,900,000)	-	-	-
Capital contributions	-	-	-	-	-
Interest paid on bonds, notes and capital leases	(808,215)	(36,680)	-	(844,895)	-
Net cash provided (used) by capital and related financing activities	<u>1,664,791</u>	<u>(87,116)</u>	<u>(408,827)</u>	<u>1,168,848</u>	<u>-</u>
Cash Flows from Investing Activities:					
Interest on investments	68,777	-	12,210	80,987	21,234
Net increase (decrease) in cash and cash equivalents	4,774,650	198,282	180,200	5,153,132	321,362
Cash and cash equivalents:					
Beginning of year - July 1	16,837,578	436,889	3,152,894	20,427,361	3,651,127
End of year - June 30	<u>\$ 21,612,228</u>	<u>\$ 635,171</u>	<u>\$ 3,333,094</u>	<u>\$ 25,580,493</u>	<u>\$ 3,972,489</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 839,171	\$ 467,837	\$ 190,262	\$ 1,497,270	\$ 485,805
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and amortization	1,002,538	-	236,787	1,239,325	-
Changes in Assets and Liabilities:					
(Increase) decrease in accounts receivable	229,934	(48,237)	(12,300)	169,397	1,085
(Increase) decrease in due from other governments	(73,555)	(8,925)	(3,755)	(86,235)	-
Increase (decrease) in accounts payable and accrued liabilities	269,969	(125,277)	(26,507)	118,185	(186,762)
Increase (decrease) in customer deposits	14,852	-	(250)	14,602	-
Increase (decrease) in compensated absences payable	(11,606)	-	1,537	(10,069)	-
Total adjustments	<u>1,432,132</u>	<u>(182,439)</u>	<u>222,435</u>	<u>1,472,128</u>	<u>(185,677)</u>
Net cash provided (used) by operating activities	<u>\$ 2,271,303</u>	<u>\$ 285,398</u>	<u>\$ 412,697</u>	<u>\$ 2,969,398</u>	<u>\$ 300,128</u>

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

CHATHAM COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Law Enforcement Employees' Trust Fund</u>	<u>Employees' Medical and Child Care Trust Fund</u>	<u>Fiduciary Funds</u>	<u>Agency Funds</u>
Assets:				
Cash, cash equivalents and investments	\$ 331,570	\$ 4,645	\$ 336,215	\$ 270,465
Property taxes receivables, net	-	-	-	151,261
Due from other governmental agencies	-	-	-	26,280
Other receivables	<u>18</u>	<u>-</u>	<u>18</u>	<u>8</u>
 Total assets	 <u>\$ 331,588</u>	 <u>\$ 4,645</u>	 <u>\$ 336,233</u>	 <u>\$ 448,014</u>
Liabilities and Net Assets:				
Liabilities:				
Accounts payable and other accrued liabilities	\$ -	\$ 4,645	\$ 4,645	\$ -
Due to agency participants	-	-	-	74,051
Due to other government agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>373,963</u>
 Total liabilities	 <u>-</u>	 <u>4,645</u>	 <u>4,645</u>	 <u>448,014</u>
Net Assets:				
Assets held in trust for employees' pension benefits	<u>331,588</u>	<u>-</u>	<u>331,588</u>	<u>-</u>
 Total net assets	 <u>\$ 331,588</u>	 <u>\$ -</u>	 <u>\$ 331,588</u>	 <u>\$ -</u>

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

CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Law Enforcement Employees' Pension</u>	<u>Employees' Medical and Child Care Trust Fund</u>	<u>Fiduciary Funds</u>
Additions:			
Employer on-behalf payments	\$ 50,000	\$ -	\$ 50,000
Employee contributions	-	112,875	112,875
Investment earnings	<u>1,116</u>	<u>3</u>	<u>1,119</u>
Total additions	<u>51,116</u>	<u>112,878</u>	<u>163,994</u>
Deductions:			
Benefit payments	<u>18,266</u>	<u>112,878</u>	<u>131,144</u>
Net change in assets	32,850	-	32,850
Net Assets:			
Beginning of year - July 1	<u>298,738</u>	<u>-</u>	<u>298,738</u>
End of year - June 30	<u>\$ 331,588</u>	<u>\$ -</u>	<u>\$ 331,588</u>

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

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

I. Summary of Significant Accounting Policies

The accounting policies of the County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County of Chatham, North Carolina is a political subdivision of the State of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10, is located in the central part of the State, and has a population of approximately 64,772. The County operates under a Commissioner-Manager form of government. The County is responsible for and maintains services inherent to the operation of a county government including general government, public safety, human services, education, economic and physical development, and cultural and recreational. The County also operates a water and sewer utility system and a solid waste management system.

As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Southeast Water District exists to provide and maintain water systems for the County residents within the districts. The District is reported as an enterprise fund in the County's financial statements. Southwest Water District and Northwest Water District have no financial transactions or account balances; therefore, they are not presented in the basic financial statements. Chatham 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 has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Chatham County Board of Alcoholic Beverage Control (the *ABC Board*), which has a June 30 year-end, is presented as if it is a separate proprietary fund of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Southeast Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serves as the governing board of the District	None Issued
Southwest Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serves as the governing board of the District	None Issued
Northwest Water District	Blended	Under State law [NCGS 162A-89], the County's Board of Commissioners also serves as the governing board of the District	None Issued
Chatham County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None Issued
Chatham County ABC Board	Discrete	The 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.	Chatham County ABC Board 11455 Suite B, US15-501 Chapel Hill, NC 27516

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

B. Basis of Presentation, Basis of Accounting

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 units. 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 and blended component units. 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. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

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

Impact Fees Fund. This fund is used to account for an additional fee charged on all building permits issued for the construction of new dwellings. Impact fees collected are to be used to offset a portion of the cost of new school construction.

Capital Improvement Reserve Fund. The County transfers annually an amount equivalent to five cents on the tax rate into this fund. The money will be used to fund a variety of general capital projects, including a library, Central Carolina Community College facilities, an addition to the Department of Social Services, and a judicial center.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Facilities Improvements Project Fund. This fund accounts for the financing and construction of facilities and additional office space within the County.

School Construction Fund. This fund is used to account for the construction of new school facilities and additions to existing facilities.

The County reports the following major enterprise funds:

Utility Fund. This fund is used to account for the County's water and sewer operations.

Southeast Water District Fund. This fund is used to account for the operations of the water district covering the southeastern portion of the County.

Solid Waste Management Fund. This fund is used to account for the operations of the County's collection and disposal of solid waste.

The County reports the following fund types:

Pension Trust Fund. The County maintains two Pension Trust Funds: the Special Separation Allowance Fund and the Employees' Medical and Child Care Trust Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system. The Employees' Medical and Child Care Trust Fund accounts for monies withheld from employees for future reimbursement of qualified medical and child care expenses.

Agency Funds. Agency funds are custodial in nature and do not involve 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 Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Chatham County Board of Education; the Chatham County Cooperative Extension Fund, which accounts for fees collected for programs conducted by the Chatham County Cooperative Extension; the Goldston Gulf Sanitary District Fund, which accounts for taxes collected for a special tax district located within the County; the State Motor Vehicle Tax Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles; and the Chatham County Municipalities Agency Fund, which accounts for taxes collected and remitted to municipalities located within the County.

Internal Service Fund. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and, thus, these funds are maintained on the accrual basis. The County has one Internal Service Fund, the Self-Insurance Internal Service Fund.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Measurement Focus, Basis of Accounting

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary 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, donations, and similar items 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 non-operating 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. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water system. 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 non-operating 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. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Chatham County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds (excluding the Economic and Community Development Fund) and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Economic and Community Development Special Revenue Fund, capital projects funds, and the Enterprise Capital Projects Fund, which are consolidated with the enterprise operating fund for reporting purposes. The County's Self-Insurance Internal Service Fund operates under a financial plan that was adopted by the governing board at the time the County's budget ordinance was approved, as is required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The County budget officer is authorized by the budget ordinance to transfer appropriations between department areas within a fund up to \$5,000; however, any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

The County records encumbrances in its accounting system. Encumbrances including purchase orders, contracts, and other commitments for monies are recorded in the expenditure accounts in order to reserve a portion of the related appropriation. At June 30, when appropriations lapse, encumbrances outstanding, if any, are subsequently budgeted and charged to appropriations in the ensuing year.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

All deposits of the County and the ABC Board are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and the ABC Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The County and the ABC Board's investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The County pools money 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 ABC Board considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

The unexpended bond proceeds of the Southeast Water District bonds are classified as restricted assets within the Southeast Water District Fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2009.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The ABC Board receivables are stated at realizable value and no allowance for doubtful accounts has been provided.

6. Inventories and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Capital Assets

Capital assets, which include property, plant, infrastructure, equipment and vehicles, are reported in the County's government-wide financial and proprietary financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of more than one year. Capital assets other than leased assets are recorded at original cost or estimated historical cost. Leased assets under capital leases are recorded at the lower of the fair value of the asset or the present value of the related lease obligation. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Chatham County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit the issuance of Qualified Zone Academy bonds. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for the 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 bond and financing agreements have been met. The property is reflected as a capital asset in the financial statements of the Chatham County Board of Education.

Capital assets are depreciated using the straight-line method over the assets' estimated useful lives. Assets acquired under capital leases are amortized over the assets' estimated useful lives. Capital assets are reported in the County's basic financial statements net of accumulated depreciation and amortization.

The estimated useful lives for the County's capital assets are as follows:

<u>Asset Class</u>	<u>Primary Government</u>	<u>ABC Board</u>
Buildings	20-60 years	
Infrastructure:		
Water distribution system	50 years	
Computer, equipment, and vehicles	3-5 years	4-10 years
Leasehold improvements		10 years

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. The County's general obligation bonds, currently outstanding, were issued to finance construction of school and community college buildings. It is the intention of the County that those obligations, including both principal and interest, are to be repaid from the General Fund. Therefore, the bonds are included in the government-wide financial statements.

The County has constructed new school facilities, county office facilities, made water system improvements and purchased equipment under private-placement loan agreements, certificates of participation and loans from the North Carolina Department of Environment and Natural Resources. It has also acquired certain equipment under capital leases. Loan agreements and capital lease agreements are recorded in the appropriate columns of the government-wide and proprietary fund financial statements.

9. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned, and the ABC Board employees may accumulate up to forty days earned vacation leave. The County records as expenditures in governmental funds the amount of compensated absences accrued during the year that will be liquidated with expendable available financial resources. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The remainder of compensated absences relative to governmental funds is reported in the government-wide financial statements. The amount of accrued compensated absences relative to proprietary fund types is recorded within the respective fund. For the County's enterprise funds, an expense and a liability for compensated absences and salary-related payments are recorded within those funds as leave is earned.

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. 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 neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

10. 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 a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

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 appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved by State Statute - portion of fund balance not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Register of Deeds - portion of fund balance constituting the Automation Enhancement and Preservation Fund, funded by 10% of the fees collected and maintained by the Register of Deeds' office. The funds are available for appropriation but are legally restricted for computer equipment and imaging technology in the Register of Deeds' office.

Reserved for Courthouse Clocks - portion of fund balance restricted for restoration and maintenance of the courthouse clock at a future date.

Unreserved

Designated for Subsequent Year's Expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

II. Detail Notes on All Funds

A. Assets

1. Cash, Cash Equivalents, and Investments

Cash, cash equivalents and investments of the County as of June 30, 2010 include the following:

	Reported Value	Fair Value
Cash on hand	\$ 1,870	\$ 1,870
Deposits - NOW, SuperNOW, MMDA, and Certificates of deposit	74,030,648	74,030,648
North Carolina Capital Management Trust	25,349,063	25,349,063
Total	<u>\$ 99,381,581</u>	<u>\$ 99,381,581</u>

2. Deposits

All the deposits of the County and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by the County's and the ABC Board's agents in their 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, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the County and the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying deposits are properly secured. The County and the ABC Board have no policy regarding custodial credit risk for deposits.

At June 30, 2010, the County's deposits had a carrying amount of \$74,030,648 and a bank balance of \$74,429,937. Of the bank balance, \$1,075,486 was covered by federal depository insurance and \$73,354,451 was covered by collateral held under the Pooling Method. The County had \$1,870 of cash on hand at year-end.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

At June 30, 2010, the carrying amount of deposits for Chatham County ABC Board was \$825,421 and the bank balance was \$870,430. All of the bank balance was covered by federal depository insurance. The ABC Board had \$1,900 of cash on hand at year-end.

3. Investments

At June 30, 2010, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
NC Capital Management Trust Fund	\$ 25,349,063	\$ 25,349,063

Interest Rate Risk. The County and the ABC Board have no policy regarding interest rate risk.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County and the ABC Board have no formal policy regarding credit risk. 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, 2010.

4. Receivables

Receivables at the government-wide level at June 30, 2010, were as follows:

	<u>Taxes and Related Accrued Interest</u>	<u>Other Accounts Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 2,323,094	\$ 403,793	\$ 3,363,788	\$ 6,090,675
Other governmental	198,527	1,931	1,545,025	1,745,483
Internal service	-	290	-	290
Total	2,521,621	406,014	4,908,813	7,836,448
Allowance for doubtful accounts	504,527	-	-	504,527
Total governmental activities	<u>\$ 2,017,094</u>	<u>\$ 406,014</u>	<u>\$ 4,908,813</u>	<u>\$ 7,331,921</u>
Business-Type Activities:				
Utility	\$ -	\$ 884,523	\$ 533,753	\$ 1,418,276
Solid waste management	-	119,331	42,774	162,105
Total	-	1,003,854	576,527	1,580,381
Allowance for doubtful accounts	-	78,516	-	78,516
Total business-type activities	<u>\$ -</u>	<u>\$ 925,338</u>	<u>\$ 576,527</u>	<u>\$ 1,501,865</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Due from other governments that is owed to the County consists of the following:

Governmental Activities:

Local option sales tax	\$ 1,877,398
Video programming	45,627
Sales tax refunds	401,599
Local municipalities	931,172
Federal and State grants	<u>1,653,017</u>
Total governmental activities	<u>\$ 4,908,813</u>

Business-Type Activities:

Sales tax refunds	\$ 75,065
White goods disposal tax	5,871
Scrap tire tax	17,513
Federal and State grants	<u>478,078</u>
Total business-type activities	<u>\$ 576,527</u>

5. Capital Assets

Governmental capital assets at June 30, 2010, were as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Non-Depreciable Assets:				
Land	\$ 7,226,471	\$ 62,847	\$ -	\$ 7,289,318
Construction in progress	<u>11,682,146</u>	<u>27,126,987</u>	<u>-</u>	<u>38,809,133</u>
Total	<u>18,908,617</u>	<u>27,189,834</u>	<u>-</u>	<u>46,098,451</u>
Depreciable Assets:				
Buildings	41,766,023	41,861	-	41,807,884
Equipment and vehicles	<u>11,208,214</u>	<u>904,889</u>	<u>411,927</u>	<u>11,701,176</u>
Total	<u>52,974,237</u>	<u>946,750</u>	<u>411,927</u>	<u>53,509,060</u>
Less Accumulated Depreciation:				
Buildings	(9,819,687)	(615,872)	-	(10,435,559)
Equipment and vehicles	<u>(6,852,132)</u>	<u>(1,551,480)</u>	<u>390,258</u>	<u>(8,013,354)</u>
Total	<u>(16,671,819)</u>	<u>(2,167,352)</u>	<u>390,258</u>	<u>(18,448,913)</u>
Depreciable assets, net	<u>36,302,418</u>	<u>(1,220,602)</u>	<u>802,185</u>	<u>35,060,147</u>
Total governmental activities capital assets, net	<u>\$ 55,211,035</u>	<u>\$ 25,969,232</u>	<u>\$ 802,185</u>	<u>\$ 81,158,598</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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

Governmental Activities:

General government	\$ 384,240
Public safety	669,466
Human services	196,977
Environmental protection and economic development	32,078
Cultural and recreational	147,394
Education	<u>737,197</u>
Total	<u>\$ 2,167,352</u>

Business-Type Activities:

Utility	\$ 1,002,538
Solid waste management	<u>236,787</u>
Total	<u>\$ 1,239,325</u>

Enterprise fund capital assets at June 30, 2010, were as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Utility Fund:				
Non-Depreciable Assets:				
Land	\$ 303,423	\$ 117,600	\$ -	\$ 421,023
Construction in progress	<u>20,849,963</u>	<u>260,404</u>	<u>-</u>	<u>21,110,367</u>
Total	<u>21,153,386</u>	<u>378,004</u>	<u>-</u>	<u>21,531,390</u>
Depreciable Assets:				
Buildings	5,478,618	-	-	5,478,618
Wells and water lines	29,113,582	679,920	-	29,793,502
Equipment and vehicles	<u>1,165,019</u>	<u>150,426</u>	<u>-</u>	<u>1,315,445</u>
Total	<u>35,757,219</u>	<u>830,346</u>	<u>-</u>	<u>36,587,565</u>
Less Accumulated Depreciation:				
Buildings	(3,160,369)	(273,853)	-	(3,434,222)
Wells and water lines	(5,252,355)	(623,650)	-	(5,876,005)
Equipment and vehicles	<u>(919,126)</u>	<u>(105,036)</u>	<u>-</u>	<u>(1,024,162)</u>
Total	<u>(9,331,850)</u>	<u>(1,002,539)</u>	<u>-</u>	<u>(10,334,389)</u>
Depreciable assets, net	<u>26,425,369</u>	<u>(172,193)</u>	<u>-</u>	<u>26,253,176</u>
Total utility fund capital assets, net	<u>\$ 47,578,755</u>	<u>\$ 205,811</u>	<u>\$ -</u>	<u>\$ 47,784,566</u>

CHATHAM COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Southeast Water District:				
Non-Depreciable Assets:				
Construction in progress	\$ 3,858,997	\$ 1,236,436	\$ -	\$ 5,095,433
Total	<u>\$ 3,858,997</u>	<u>\$ 1,236,436</u>	<u>\$ -</u>	<u>\$ 5,095,433</u>
	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Solid Waste Management:				
Non-Depreciable Assets:				
Land	\$ 495,505	\$ -	\$ -	\$ 495,505
Total	<u>495,505</u>	<u>-</u>	<u>-</u>	<u>495,505</u>
Depreciable Assets:				
Buildings	1,797,817	-	-	1,797,817
Equipment and vehicles	<u>2,054,268</u>	<u>435,750</u>	<u>223,102</u>	<u>2,266,916</u>
Total	<u>3,852,085</u>	<u>435,750</u>	<u>223,102</u>	<u>4,064,733</u>
Less Accumulated Depreciation:				
Buildings	(1,319,258)	(78,314)	-	(1,397,572)
Equipment and vehicles	<u>(1,695,816)</u>	<u>(158,473)</u>	<u>223,102</u>	<u>(1,631,187)</u>
Total	<u>(3,015,074)</u>	<u>(236,787)</u>	<u>223,102</u>	<u>(3,028,759)</u>
Depreciable assets, net	<u>837,011</u>	<u>198,963</u>	<u>-</u>	<u>1,035,974</u>
Total utility fund capital assets, net	<u>\$ 1,332,516</u>	<u>\$ 198,963</u>	<u>\$ -</u>	<u>\$ 1,531,479</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Invested in Capital Assets, Net of Debt

The total invested in capital assets, net of related debt at June 30, 2010 is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 81,158,598	\$ 54,411,478
Less:		
Long-term debt	(93,738,066)	(25,623,563)
Add:		
Debt related to assets not owned by the County	25,486,748	-
Unspent debt proceeds related to debt for assets owned by the County	2,951,990	2,094,838
	(65,299,328)	(23,528,725)
Invested in net assets	\$ 15,859,270	\$ 30,882,753

7. Construction Commitments

The government has active construction projects as of June 30, 2010. At year-end, the government's commitments with contractors were as follows:

Project	Spent to-Date	Remaining Commitment
Energy Audit	\$ 586,860	\$ 391,240
Judicial Facility	1,185,055	2,917,365
CCCC-Library/Classroom	8,493,019	1,607,460
Southeast Water District	4,524,133	24,129
Total	\$ 14,789,067	\$ 4,940,195

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Discretely Presented Component Units

Activity for the ABC Board for the year ended June 30, 2010, was as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Depreciable Assets:				
Leasehold improvements	\$ 11,527	\$ 5,029	\$ -	\$ 16,556
Equipment and fixtures	100,188	-	7,879	92,309
Total	111,715	5,029	7,879	108,865
Less accumulated depreciation	(85,804)	(6,205)	7,879	(84,130)
Total ABC Board capital assets, net	<u>\$ 25,911</u>	<u>\$ (1,176)</u>	<u>\$ 15,758</u>	<u>\$ 24,735</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2010, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 1,138,081	\$ 706,186	\$ 1,844,267
Other governmental	2,918,740	-	2,918,740
Total governmental activities	<u>\$ 4,056,821</u>	<u>\$ 706,186</u>	<u>\$ 4,763,007</u>
Business-Type Activities:			
Utility	\$ 709,367	\$ 57,805	\$ 767,172
Southeast water district	49,109	-	49,109
Solid waste management	122,803	31,908	154,711
Total business-type activities	<u>\$ 881,279</u>	<u>\$ 89,713</u>	<u>\$ 970,992</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

2. Operating Leases

The ABC Board occupies facilities in Chapel Hill, Moncure, and Governor's Village. The base monthly rental rate for the Chapel Hill property is \$1,708, and the Moncure property is \$1,042. Both rental rates are adjusted annually based on the Consumer Price Index. The annual rent for the Governor's Village property is \$18,360 for year one, \$18,960 for year two, and \$19,560 for year three. The agreement for the Chapel Hill facility is being leased on a month-to-month basis, the lease agreement for the Moncure facility expires in October 2010, and the lease agreement for the Governor's Village facility expired in April 2010. The ABC Board leases warehouse space from the Pittsboro ABC Board at a monthly rate of \$250. The lease expires in November 2013. The minimum future lease payments are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2011	\$ 25,628
2012	22,060
2013	19,300
2014	1,000
Total	<u>\$ 67,988</u>

3. Pension Plan and Other Post-Employment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board contribute to the State-wide 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 Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.38% of annual covered payroll. The contribution requirements of members, the 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, 2010, 2009, and 2008 were \$822,832, \$821,706, and \$778,830, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009, and 2008 were \$5,519, \$5,631, and \$5,697, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent 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 is reported in the County's report as a pension trust fund. The plan does not issue separate financial statements.

All full-time County law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2009 the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan member entitled to, but not yet receiving, benefits	3
Active plan members	<u>80</u>
	<u><u>83</u></u>

Summary of Significant Accounting Policies

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. For the current year, the County contributed \$50,000, or 1.7% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The annual required contribution for the current year was determined as part of the December 31, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 22 years.

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

Annual required contribution	\$	51,589
Interest on net pension obligation		(5,043)
Adjustment to annual required contribution		4,428
Annual pension cost		50,974
Contributions made		50,000
Increase in net pension obligation		974
Net pension obligation, beginning of year		(64,720)
Net pension obligation, end of year	\$	(63,746)

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 32,179	0.00%	\$ (69,560)
2009	44,840	89.21%	(64,720)
2010	50,974	98.09%	(63,746)

Funding Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 39.29% funded. The actuarial accrued liability for benefits was \$734,426, and the actuarial value of assets was \$288,529, resulting in an unfunded actuarial accrued liability (UAAL) of \$445,897. The covered payroll (annual payroll of active employees covered by the plan) was \$2,861,765, and the ratio of the UAAL to the covered payroll was 15.58%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$187,942, which consisted of \$142,715 from the County and \$45,227 from the law enforcement officers.

d. Supplemental Retirement Income Plan of North Carolina 401(k)

Plan Description. The County contributes to the Supplemental Retirement Income Plan of North Carolina 401(k) (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all employees not engaged in law enforcement who work more than 20 hours of each week and who are not already receiving supplemental retirement benefits. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. The County contributes each month an amount equal to four and one-half percent (4.5%). Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2010 were \$923,053 which consisted of \$632,885 from the County and \$290,168 from the employees.

e. Deferred Compensation Plan

Plan Description. The County offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees not engaged in law enforcement, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County has complied with changes in laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is not reported within the County's Agency Funds.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy. The County does not contribute to the Deferred Compensation Plan. Employees may make voluntary contributions to the plan. Contributions from employees for the year ended June 30, 2010 were \$32,082.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2010, the County's required and actual contributions were \$5,793.

f. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a County resolution, the County provides post-employment healthcare benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. Retirees who do not meet the aforementioned criteria have the option to purchase basic medical insurance for themselves and their dependents through the County for eighteen months. Currently, 9 retirees are eligible for post-employment health benefits. The County is self-insured for its healthcare coverage and contributes funding for all employee groups annually. A separate report was not issued for the plan.

Membership of the post-employment health benefit plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	9
Active plan members	422
	<hr/>
	431
	<hr/>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Policy. The County agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members that retire with at least 30 years of service, the County pays 100% of the cost for pre-65 health coverage for the retiree. For members that retire with at least 25 years of service, the County pays 75% of the cost for pre-65 health coverage. For members that retire with at least 20 years of service, the County pays 50% of the cost for pre-65 health coverage. Retirees will cease to be eligible for group health insurance at age 65. The retiree is responsible for paying the cost of dependent coverage if dependent coverage is elected. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC is 2.69% of annual covered payroll. For fiscal year 2010, the County contributed \$97,540 or .59% of annual covered payroll.

Summary of Significant Accounting Policies. Benefit expenditures are made from the Internal Service Fund, which is reported on the accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

Annual required contribution	\$	442,219
Interest on net OPEB obligation		17,427
Adjustment to annual required contribution		15,035
Annual OPEB cost (expense)		444,611
Contributions made		97,540
Increase (decrease) in net OPEB obligation		347,071
Net OPEB obligation, beginning of year		435,686
Net OPEB obligation, end of year	\$	782,757

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Trend Information			
Year Ended June 30	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2009	\$ 502,228	13.30%	\$ 435,686
2010	444,611	21.90%	782,757

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Funding Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$3,950,430. The covered payroll (annual payroll of active employees covered by the plan) was \$16,421,865, and the ratio of the UAAL to the covered payroll was 24.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 10.50 to 5.00 percent annually. The investment rate included a 3.75% inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The unfunded actuarial accrued liability is being amortized as level percentage of pay on an open basis. The remaining amortization period at December 31, 2009 was 30 years.

Other Employment Benefits

The County has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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, 2010, the County made contributions to the State for death benefits of \$8,088. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% 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.

The County has also elected to provide enrollment in additional term life and accidental death and dismemberment insurance to employees. The plan, which is available to all County employees who work 30 hours or more per week, is valued at \$10,000. Employees may elect to purchase additional coverage for themselves or their dependents at additional cost. Any benefit elections purchased in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

4. Pension and Other Employee Benefit Trust Funds

The County maintains two pension and other employee benefit trust funds as indicated in Note 1. Net assets for these trust funds are as follows:

	Pension Trust Fund	Child Care Trust Fund	Total
Assets:			
Cash, cash equivalents and investments	\$ 331,570	\$ 4,645	\$ 336,215
Other receivables	18	-	18
Total assets	331,588	4,645	336,233
Liabilities:			
Accounts payable and other accrued liabilities	-	4,645	4,645
Net Assets:			
Assets held in trust for employees' pension benefits	331,588	-	331,588
Total net assets	\$ 331,588	\$ -	\$ 331,588

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Changes in net assets for these trust funds are as follows:

	<u>Law Enforcement Employees' Pension Trust Fund</u>	<u>Employees' Medical and Child Care Trust Fund</u>	<u>Total</u>
Additions:			
Employer on-behalf payments	\$ 50,000	\$ -	\$ 50,000
Employee contributions	-	112,875	112,875
Investment earnings	1,115	3	1,118
Total additions	<u>51,115</u>	<u>112,878</u>	<u>163,993</u>
Deductions:			
Benefit payments	<u>18,266</u>	<u>112,878</u>	<u>131,144</u>
Net change in assets	32,849	-	32,849
Net Assets:			
Beginning of year, July 1	<u>298,739</u>	<u>-</u>	<u>298,739</u>
End of year, June 30	<u>\$ 331,588</u>	<u>\$ -</u>	<u>\$ 331,588</u>

5. Landfill Closure and Post-Closure Costs

The County closed its landfill facility in October 1993 and placed a cover on the site. The County is required to perform semi-annual monitoring functions at the site. Costs that relate to monitoring activities are expensed as incurred. Post-closure costs for the fiscal year ended June 30, 2010 were approximately \$5,415. Future monitoring activities will be expensed as incurred.

As a result of the monitoring, the County submitted an assessment and remediation plan pursuant to NC Administrative Code 13B in November 1998 to the North Carolina Department of Environment and Natural Resources Division of Waste Management. The plan required the County to purchase land adjacent to the site as a buffer zone. The County acquired adjacent property and has fulfilled the State requirement to provide a buffer zone around the property

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

6. Deferred / Unearned Revenues

The balance in deferred or unearned revenue on the fund statements and unearned revenues on the government-side statements at year-end is composed of the following elements:

	Deferred Revenues	Unearned Revenues
Prepaid taxes not yet earned (General)	\$ -	\$ 370,208
Prepaid taxes not yet earned (Special Revenue)	-	32,321
Taxes receivable, net (General)	1,860,582	-
Taxes receivable, net (Special Revenue)	156,512	-
Health department fees receivable, net (General)	19,833	-
	<u>\$ 2,036,927</u>	<u>\$ 402,529</u>

7. Risk Management

The County and the ABC Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases insurance for property, general liability, automobile, errors and omissions, law enforcement liability and employment practices liability. The County's property is insured based on actual value up to a limit of \$45,307,322. General liability coverage is \$2,000,000 per occurrence, with a \$5,000,000 general aggregate, and automobile liability is \$2,000,000 per occurrence. The public entity management liability (errors and omissions) and the law enforcement liability coverage is \$2,000,000 per occurrence, with a \$4,000,000 general aggregate. The employment practices liability coverage is \$2,000,000 per occurrence, with a \$2,000,000 general aggregate. The County participates in a self-funded risk financing pool administered by a private company. Through this pool, the County self-insures for workers' compensation coverage, and purchases reinsurance with a \$350,000 retention per occurrence up to a maximum of \$1,000,000. The County self-insures for employee health coverage, which is administered by a private company, with a stop loss provision of \$55,000 per occurrence. The maximum lifetime benefit is \$2,000,000. The County carries commercial insurance coverage above these limits. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The County carries flood insurance with a limit of coverage of \$5,000,000.

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Finance Officer and Tax Collector are each individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The ABC Board has property, general liability, liquor legal liability, workers' compensation and employee health coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the last three fiscal years.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

8. Contingent Liabilities and Commitments

The County and the ABC Board have elected to pay the direct cost of employment security benefits in lieu of employment security taxes on the payroll. A liability for benefit payments could accrue in the year following discharge of employees.

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

9. Claims and Judgments

The County is a defendant to various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position for the County carries sufficient liability insurance to cover such claims.

The County self-insures for workers' compensation coverage and for employee health coverage. The County has recorded a liability in its Self-Insurance Internal Service Fund for estimated unfiled insurance claims. The following is a reconciliation of the changes in the liability for claims and judgments for the prior two fiscal years:

Accrued claims and judgments, June 30, 2008	\$ 119,000
Additions	2,847,010
Benefits paid	<u>(2,841,010)</u>
Accrued claims and judgments, June 30, 2009	125,000
Additions	3,049,875
Benefits paid	<u>(3,032,875)</u>
Accrued claims and judgments, June 30, 2010	<u>\$ 142,000</u>

10. Long-Term Obligations

a. Capital Leases

The County has entered into an agreement to lease certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed for the acquisition of outdoor sports lighting and requires annual installments of \$13,320, including interest at 9.845%. Under the terms of the agreement, title passes to the County at the end of the lease term.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

For Chatham County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 12,823	\$ 497	\$ 13,320

b. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. The Southeast Water District issues general obligation bonds to provide funds for the acquisition and construction of major water system capital improvements. These bonds, which are recorded in the Southeast Water District, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due.

General obligation bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the County's General Fund:

School bonds issued October 1, 1996; interest at 4.70% to 5.25%; due serially to 2011	\$ 255,000
Refunding bonds, Series 2001 issued September 1, 2001; interest at 3.00% to 4.25%; due serially to 2012	1,955,000
Refunding bonds, Series 2004 issued April 6, 2004; interest at 2.25% to 4.00%; due serially to 2016	7,625,000
	\$ 9,835,000

Serviced by the Southeast Water District:

Bonds issued March 23, 2010, interest at 4%; due serially to 2049	\$ 3,200,000
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CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Annual debt service requirements to maturity for the County's and the District's general obligation bonds are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,715,000	\$ 357,314	\$ 2,072,314	\$ -	\$ 128,000	\$ 128,000
2012	1,735,000	290,500	2,025,500	38,000	128,000	166,000
2013	1,750,000	225,075	1,975,075	39,000	126,480	165,480
2014	1,710,000	172,575	1,882,575	41,000	124,920	165,920
2015	1,675,000	117,000	1,792,000	42,000	123,280	165,280
2016-2020	1,250,000	50,000	1,300,000	238,000	589,640	827,640
2021-2025	-	-	-	290,000	538,160	828,160
2026-2030	-	-	-	352,000	475,320	827,320
2031-2035	-	-	-	429,000	399,080	828,080
2036-2040	-	-	-	521,000	306,200	827,200
2041-2045	-	-	-	635,000	193,200	828,200
2046-2049	-	-	-	575,000	56,920	631,920
	<u>\$ 9,835,000</u>	<u>\$ 1,212,464</u>	<u>\$ 11,047,464</u>	<u>\$ 3,200,000</u>	<u>\$ 3,189,200</u>	<u>\$ 6,389,200</u>

At June 30, 2010, Chatham County had a legal debt margin of \$586,476,000.

c. Revenue Bonds

In March 2010, the Southeast Water District issued \$1,886,000 to provide funds for the acquisition and construction of major water system capital improvements. The taxing power of the District is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the District or the forfeiture of any or its property in connection with any default under the bond order.

The District's revenue bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the Southeast Water District:

Bonds issued March 23, 2010, interest at 4%; due serially to 2049	\$ 262,000
Bonds issued March 23, 2010, interest at 4%; due serially to 2049	<u>1,624,000</u>
	<u>\$ 1,886,000</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Annual debt service requirements to maturity for the Southeast Water District's revenue bonds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 63,260	\$ 63,260
2012	25,000	63,260	88,260
2013	26,000	62,425	88,425
2014	27,000	61,557	88,557
2015	27,000	60,657	87,657
2016-2020	155,000	288,738	443,738
2021-2025	183,000	261,055	444,055
2026-2030	214,000	228,430	442,430
2031-2035	253,000	190,037	443,037
2036-2040	299,000	144,645	443,645
2041-2045	352,000	101,985	453,985
2046-2049	325,000	27,748	352,748
	<u>\$ 1,886,000</u>	<u>\$ 1,553,797</u>	<u>\$ 3,439,797</u>

The County authorized the issuance of Water and Sewer Bonds, Series 2010. The County is not restricted to any financial covenants relating to these bonds. The County is in compliance with all non-financial covenants related to these bonds.

d. Other Long-Term Obligations

The County has executed various other long-term obligations for the purpose of property acquisition, construction, and renovation of various facilities and water system capital improvements.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Other long-term debt payable by the County at June 30, 2010 is comprised of the following individual issues:

Governmental Activities:

Qualified Zone Academy Bonds (QZAB) issued on May 31, 2002 under Internal Revenue Code Section 1397E; due serially to 2021 with no interest; collateralized by real estate, including a school building	\$ 248,310
Certificates of Participation issued in November 2006 for the construction of an elementary school, additions to and renovation of an existing high school, addition and renovation of the Department of Social Services Building, construction of roads, water lines, and sewer lines for the County Business Campus, other miscellaneous school capital projects; collateralized by real estate	34,995,000
Private placement loan with a financial institution for the renovation of Northwood High School and the purchase of a building to be used for office space; due in annual payments with interest at 4.83% ; maturing in 2028	8,075,000
Private placement loan with a financial institution for the construction of the Margaret Pollard Middle School; due in annual payments with interest at 4.85%; maturing in 2028 collateralized by real estate	22,800,000
Private placement loan with a financial institution for the construction of a joint County and Central Carolina Community College (CCCC) library, CCCC classroom facility on the CCCC campus in Pittsboro, and CCCC classroom facilities in Siler City; due in semi-annual payments with interest at 5.1%; maturing in 2029 collateralized by real estate	<u>17,050,000</u>
Total Governmental Activities	<u>83,168,310</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Business-Type Activities:

Private placement loan with a financial institution; due in semi-annual payments of \$533,317 including interest at 4.07%; maturing in 2028; collateralized by water distribution system	13,513,507
Private placement loan with a financial institution; due in quarterly installments of \$28,333 including interest at 5.08%; maturing in 2014; collateralized by water distribution system	510,000
State revolving loan with North Carolina Department of Environment and Natural Resources; due in annual installments of \$17,782 plus interest at 2.55% maturing in 2020	177,823
State revolving loan with North Carolina Department of Environment and Natural Resources	6,229,235
State revolving loan with North Carolina Department of Environment and Natural Resources; due in annual installments of \$10,897 including interest at 2.80%; maturing in 2021	<u>106,998</u>
Total Business-Type Activities	<u>20,537,563</u>
Total other long-term obligations	<u>\$ 103,705,873</u>

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,855,700	\$ 3,829,229	\$ 5,684,929	\$ 975,052	\$ 724,863	\$ 1,699,915
2012	3,105,693	3,745,738	6,851,431	996,361	689,916	1,686,277
2013	3,105,693	3,612,001	6,717,694	1,018,537	654,097	1,672,634
2014	3,105,693	3,478,263	6,583,956	1,041,616	617,380	1,658,996
2015	3,105,693	3,344,526	6,450,219	1,008,970	580,085	1,589,055
2016-2020	20,884,838	14,342,757	35,227,595	5,157,425	2,380,873	7,538,298
2021-2025	20,100,000	9,626,355	29,726,355	5,807,029	1,423,830	7,230,859
2026-2030	17,770,000	4,820,741	22,590,741	4,532,573	353,091	4,885,664
2031-2035	8,450,000	1,604,375	10,054,375	-	-	-
2036-2040	1,685,000	75,825	1,760,825	-	-	-
	<u>\$ 83,168,310</u>	<u>\$ 48,479,810</u>	<u>\$ 131,648,120</u>	<u>\$ 20,537,563</u>	<u>\$ 7,424,135</u>	<u>\$ 27,961,698</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

e. Long-Term Obligation Activity

The following is a summary of changes in the County's long-term debt obligations for the fiscal year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
General obligation bonds	\$ 11,585,000	\$ -	\$ 1,750,000	\$ 9,835,000	\$ 1,715,000
Capital leases	25,159	-	12,336	12,823	\$ 12,823
Other long-term obligations	67,974,003	17,050,000	1,855,693	83,168,310	1,855,700
	<u>79,584,162</u>	<u>17,050,000</u>	<u>3,618,029</u>	<u>93,016,133</u>	<u>3,583,523</u>
Other post-employment benefits	400,631	321,302		721,933	-
Compensated absences	1,377,769	924,004	894,512	1,407,261	894,512
Total Governmental Activities	<u>\$ 81,362,562</u>	<u>\$ 18,295,306</u>	<u>\$ 4,512,541</u>	<u>\$ 95,145,327</u>	<u>\$ 4,478,035</u>
Business-Type Activities:					
General obligation bonds	\$ -	\$ 3,200,000	\$ -	\$ 3,200,000	\$ -
Revenue bonds	-	1,886,000	-	1,886,000	-
Other long-term obligations	21,180,678	-	643,115	20,537,563	975,052
Other post-employment benefits	35,055	25,769	-	60,824	-
Compensated absences	115,357	46,297	56,367	105,287	56,367
Total Business-Type Activities	<u>\$ 21,331,090</u>	<u>\$ 5,158,066</u>	<u>\$ 699,482</u>	<u>\$ 25,789,674</u>	<u>\$ 1,031,419</u>

Compensated absences and other post-employment benefits typically have been liquidated in the General Fund.

f. Advance Refunding

On April 6, 2004, the County issued \$10,305,000 in general obligation refunding bonds with an interest rate of 2.25 to 4.00 percent to advance refund \$9,500,000 of outstanding 1996 school bonds with an interest rate of 4.60 to 5.40 percent. The net proceeds of \$10,540,010 were used to purchase \$10,376,316 in U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 school bonds. As a result, the 1996 school bonds are considered to be deceased and the liability for them has been removed from the Statement of Net Assets for governmental activities.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$876,316. This difference, net of accumulated amortization of \$91,283, is reported in the accompanying financial statements as a deduction from bonds payable and amortization is being charged to operations through the year 2016, the life of the new debt and the life of the refunded debt, using the straight-line interest method. The bond issuance costs associated with the advance refunding were capitalized during 2004 and are being amortized on the straight line method over the life of the new debt.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

g. Conduit Debt Obligations

Chatham County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by 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, 2010, the amount of industrial revenue bonds outstanding approximated \$2,900,000.

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2010, consist of the following:

<u>Fund Type</u>	<u>Fund Name</u>	<u>To</u>	<u>From</u>	<u>Purpose</u>
Major Governmental	General Fund	\$ 100,000	\$ -	Cover imaging costs
Nonmajor Governmental	Imaging Project	-	100,000	
Major Governmental	General Fund	2,535	-	Fund land purchases
Nonmajor Governmental	Recreation Exaction	-	2,535	
Major Governmental	General Fund	312,175	-	Fund equipment purchases
Nonmajor Governmental	Equipment Reserve	-	312,175	
Major Governmental	General Fund	200,000	-	Fund salary increases
Nonmajor Governmental	Personnel Savings	-	200,000	
Major Governmental	General Fund	1,410,581	-	Service debt payments
Major Governmental	Capital Improvements Reserve	-	1,410,581	
Major Governmental	General Fund	3,920,053	-	Service debt payments
Major Governmental	Impact Fees	-	3,920,053	
Major Governmental	Capital Improvements Reserve	4,537,130	-	Service future debt on
Major Governmental	General Fund	-	4,537,130	planned capital projects
Nonmajor Governmental	Park Construction Projects	40,000	-	Fund park construction
Nonmajor Governmental	Recreation Exaction	-	40,000	
Total Governmental Transfers		<u>10,522,474</u>	<u>10,522,474</u>	
Enterprise	Utility Capital Reserve	769,779	-	Service future debt on
Major Governmental	General Fund	-	769,779	planned capital projects
Total Governmental to Enterprise Transfers		<u>769,779</u>	<u>769,779</u>	
Enterprise	Utility Fund	1,073,559	-	Service debt payments
Enterprise	Utility Vehicle Reserve	-	1,073,559	
Enterprise	Waste Management Reserve	164,120	-	Service future debt on
Enterprise	Waste Management Operating	-	164,120	planned capital projects
Total Enterprise Transfers		<u>1,237,679</u>	<u>1,237,679</u>	
Grand Total		<u>\$ 12,529,932</u>	<u>\$ 12,529,932</u>	

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

IV. Related Organizations

Chatham County Housing Authority

The County's officials appoint the board members of the Chatham County Housing Authority. The County's accountability for this organization does not extend beyond making these appointments. There were no appropriations to the Chatham County Housing Authority for the year ended June 30, 2010.

V. Joint Ventures

A. Orange-Person-Chatham Mental Health Developmental Disabilities and Substance Abuse Authority

The County, in conjunction with Orange County and Person County, participates in a joint venture to operate the Orange-Person-Chatham Mental Health Developmental Disabilities and Substance Abuse Authority (Authority). The County appoints one member to the Authority's board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Authority; therefore, no equity interest has been reflected in the financial statements at June 30, 2010. The County appropriated \$507,258 to the Authority to supplement its activities for the year ended June 30, 2010.

Complete financial statements for Orange-Person-Chatham Mental Health Developmental Disabilities and Substance Abuse Authority may be obtained from their administrative offices at 101 East Weaver Street, Suite 300, Carrboro, North Carolina 27510.

B. Central Carolina Community College

The County, in conjunction with the State of North Carolina, Lee County, Harnett County, and Lee County Board of Education, participates in a joint venture to operate Central Carolina Community College (Community College). Each of the participants appoints members to the sixteen member board of trustees of the Community College. The president of the Community College's student government serves as an ex officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition, the County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$487,974 to the Community College for operating purposes during the fiscal year ended June 30, 2010. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2010.

Complete financial statements for Central Carolina Community College may be obtained from the Community College's administrative offices at 1105 Kelly Drive, Sanford, North Carolina 27330.

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

C. Chatham County Economic Development Corporation

The County, in conjunction with the Towns of Pittsboro, Siler City and Goldston, participates in a joint venture to operate the Chatham County Economic Development Corporation (Corporation). The Corporation is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$338,116 to the Corporation during the fiscal year ended June 30, 2010. None of the participating governments has any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2010.

Complete financial statements for the Chatham County Economic Development Corporation may be obtained from the Corporation's administrative offices at 12 East Street, Pittsboro, North Carolina 27312.

V. Jointly Governed Organizations

Triangle J Council of Governments

The County, in conjunction with four other counties and twenty municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$50,747 to the Council during the fiscal year ended June 30, 2010.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose the additional financial aid which does not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 35,334,890	\$ 12,334,154
Food Stamp Program	7,101,900	-
Temporary Assistance for Needy Families	362,740	-
Adoption Assistance	371,562	75,233
Foster Care	122,398	23,948
Child Care Development	-	375,654
Low Income Energy Assistance	209,746	-
State/County Special Assistance for Adults	-	491,904
Women, Infants, and Children	1,244,462	-
Other	44,365	(238)
Total	<u>\$ 44,792,063</u>	<u>\$ 13,300,655</u>

CHATHAM COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

The County maintains no direct control over any of these monies and budgets for only its matching portion which is paid to the applicable State agency.

VII. Significant Effects of Subsequent Events

Subsequent to June 30, 2010, the County obtained \$4,396,129 in Qualified School Construction Bonds for construction improvements to schools within the County.

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