

*Chatham County
North Carolina*

*Comprehensive Annual
Financial Report*

For the fiscal year ended June 30, 2004

**Chatham County, North Carolina
Comprehensive Annual Financial
Report**

For the fiscal year ended June 30, 2004

**Prepared by the Chatham County Finance Department
Vicki S. McConnell, Finance Officer**

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Introductory Section

COUNTY OF CHATHAM

FINANCE OFFICE
POST OFFICE BOX 608
PITTSBORO, N. C. 27312-0608



VICKI S. McCONNELL
Finance Officer
PHONE: 919-542-8210

ORGANIZED 1770

707 SQUARE MILES

November 25, 2004

The Board of County Commissioners
Chatham County, North Carolina

The comprehensive annual financial report of Chatham County, North Carolina for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County and its component unit. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

This report consists of management's representations concerning the finances of Chatham County. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management.

In accordance with North Carolina General Statutes, the accompanying financial statements have been audited by Dixon Hughes PLLC, an independent certified public accounting firm, and that firm's unqualified opinion has been included in this report. The audit was also designed to meet the requirements of the Federal Single Audit Amendment of 1996, OMB Circular 133 and the State Single Audit Implementation Act.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the Management Discussion and Analysis and should be read in conjunction with it.

Reporting Entity

The financial reporting entity includes all the funds and account groups of Chatham County, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable. The Chatham County ABC Board is reported as a discretely presented component unit in the financial statements. The Chatham County Industrial Facility and Pollution Control Financing Authority is also a component unit of Chatham County; however, this authority has no financial transactions or account balances and is therefore not reported in the financial statements.

Profile of the County

Founded in 1770 and located near the geographic center of the state, Chatham County encompasses an area of more than 707 square miles. Although the population continues to grow at a healthy rate, only one-fifth of the County's approximately 53,000 citizens reside within the County's municipalities. The Town of Cary, located in Wake County, has annexed a small portion of northern Chatham County. No development of this area has taken place. The Town of Pittsboro serves as the County seat.

Visually, the County's rural and agriculture nature is predominant; but a diverse mixture of industry and agriculture supports the County's economy. Major industries include lumber and wood products, textiles, brick making, metalworking, and poultry production.

The County operates under the manager form of government. Policy making and legislative authority are vested in a Board of Commissioners consisting of five members who are elected for four-year terms in even numbered years. The County Manager is appointed by the Board and is responsible for the administration of the affairs of the County. The County is responsible for and maintains a full range of services inherent in the operation of a county government. These services include general government, public safety, human services, cultural and recreational activities, education, economic and physical development, and environmental protection. The County also operates a water system on a user charge basis. This report includes all the County's activities in maintaining these services.

The County operates under an annual budget ordinance, adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act. Budgetary control is maintained on a departmental basis and may be amended as changing conditions warrant.

Factors Affecting Financial Condition

Local Economy

Strong economic conditions in the triangle of North Carolina have a positive effect on the growth of Chatham County's population and economy, especially in the northern and eastern sections of the county. The triangle continues to provide employment for many Chatham County residents. Because this area of North Carolina offers significant employment opportunities in higher education, research, and government, manufacturing slowdowns and layoffs do not severely affect their economies. Employment in the triangle has remained comparatively stable.

The local economy continues to grow at a steady pace. The local unemployment rate was 4.5 percent, well below the triangle rate of 5.3, the state rate of 6.5, and the national rate of 6.0. Expansions and relocations have occurred in the last year that has added jobs and tax base to the county, with new commercial starts well over 43 million dollars. Overall, manufacturing employment accounts for 36 percent of the job pool; while the service accounts for 57 percent of the employment. Public employment consistently occupies about 14 percent of the job force, while private employment dominates the county with 86 percent of all jobs. Fiscal year 2003-04 saw the expansion and creation of 104 local industries and non-industrial companies in the county.

Because of North Carolina's highway construction program, the County's highway network has been and will continue to be improved. Several U. S. highways which cross the County have been or are being four-laned, including the following: U. S. 64, the major east-west corridor which links Lexington and Raleigh; U. S. 421, which links Greensboro to Wilmington; U. S. 1, which links Raleigh to South Carolina; and U. S. 15-501, which links Sanford to Durham. The widening of these major thoroughfares will increase Chatham County residents' access to major markets, while making certain County sites more attractive for industrial location. The County airport, located in Siler City, has a 5,000 feet in length and 75 feet in width paved, lighted runway with an instrument approach capability, enabling the accommodation of small business class aircraft.

Chatham County continues to see significant residential development, which adds to our tax base. Several major residential developments continue to expand including Galloway Ridge, an assisted living facility working with Duke Health Care, which is this year making a 30-million dollar expansion by adding an Independent Living Center, Community Building, and a Health Care Center. With the success of Preserve at Jordan Lake, the Jordan Lake Preserve Corporation will be adding another 18-hole signature golf course and 356-home community called Chapel Ridge on Highway 87. Two other new developments, with more than 500 home sites, were approved this year including Heritage Pointe and Homestead at Jordan Lake. Other major residential developments are in the planning process in County. These projects have been successful in their national marketing efforts by capitalizing on their proximity to the Raleigh, Durham, and Chapel Hill areas.

Capital Improvements Program

The County updates annually during the budget process its five year Capital Improvements Program. The CIP is a systematic way of anticipating, planning, and budgeting for major capital projects. The CIP includes all major projects costing \$25,000 or more. The CIP includes summaries of all major projects and detailed descriptions of each project, including justifications, cost detail, funding sources, and impact on the operating budget. Included in the CIP for fiscal years 2005-2008 are continuing construction of a community park in Southwest Chatham, major renovations to existing County facilities, and the purchase of voting machines. The County is also making plans to construct major water lines across the County, providing County water using Jordan Lake as its main water source.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposits ranging from 30 to 120 days to maturity, in demand deposits in a state-authorized money market mutual fund, and in money market investment accounts. All investments were insured or fully collateralized

Risk Management

The County obtains property insurance coverage and general liability coverage through commercial insurers. The County maintains a self-insured health plan for employees and worker's compensation coverage. The County contracted with third-party administrators to manage the plans.

Pension and Other Postemployment Benefits

The County sponsors a single-employer defined benefit plan that provides retirement benefits to the County's sworn law enforcement officers. Each year, an independent actuary calculates the amount of the annual contribution that the County must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis.

The County also provided postretirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year there were 11 retired employees receiving these benefits. The County accounts for the funds to finance these benefits in an internal service fund. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Awards and Acknowledgements

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Chatham County for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the 15th consecutive year that the government has received this award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the certificate of achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - Preparation of this report could not have accomplished without the dedicated service of the entire staff of the finance department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the members of the Board of Commissioners for their continued support throughout the past year.

Respectfully submitted,



Charlie Horne
County Manager



Vicki McConnell
Finance Officer

*Chatham County, North Carolina
Principal Officials
June 30, 2004*

Board of County Commissioners

<i>Thomas Emerson</i>	<i>Chairman</i>
<i>Carl Outz</i>	<i>Vice Chairman</i>
<i>Robert Atwater</i>	<i>Commissioner</i>
<i>Bunkey Morgan</i>	<i>Commissioner</i>
<i>Margaret Pollard</i>	<i>Commissioner</i>

County Officials

<i>Charlie Horne</i>	<i>County Manager</i>
<i>Robert Gunn</i>	<i>County Attorney</i>
<i>Renee Dickson</i>	<i>Assistant County Manager</i>
<i>Vicki McConnell</i>	<i>Finance Officer</i>
<i>Richard Webster</i>	<i>Sheriff</i>
<i>Reba Thomas</i>	<i>Register of Deeds</i>
<i>Dawn Stumpf</i>	<i>Director of Elections</i>
<i>Jody Moore</i>	<i>Information Services</i>
<i>Kim Horton</i>	<i>Tax Administrator</i>
<i>Tony Tucker</i>	<i>Emergency Operations Director</i>
<i>Jenny Williams</i>	<i>Central Permitting Director</i>
<i>Keith Megginson</i>	<i>Planning Director</i>
<i>Glenn Woolard</i>	<i>County Extension Director</i>
<i>Mike Sturdivant</i>	<i>District Conservationist</i>
<i>Dorothy Cilenti</i>	<i>Health Director</i>
<i>John Tanner</i>	<i>Social Services Director</i>
<i>Lonnie West</i>	<i>Senior Services Director</i>
<i>Neha Shah</i>	<i>Tourism Coordinator</i>
<i>Linda Clark</i>	<i>Library Services Director</i>
<i>Tracy Burnett</i>	<i>Recreation Director</i>

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Chatham,
North Carolina

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



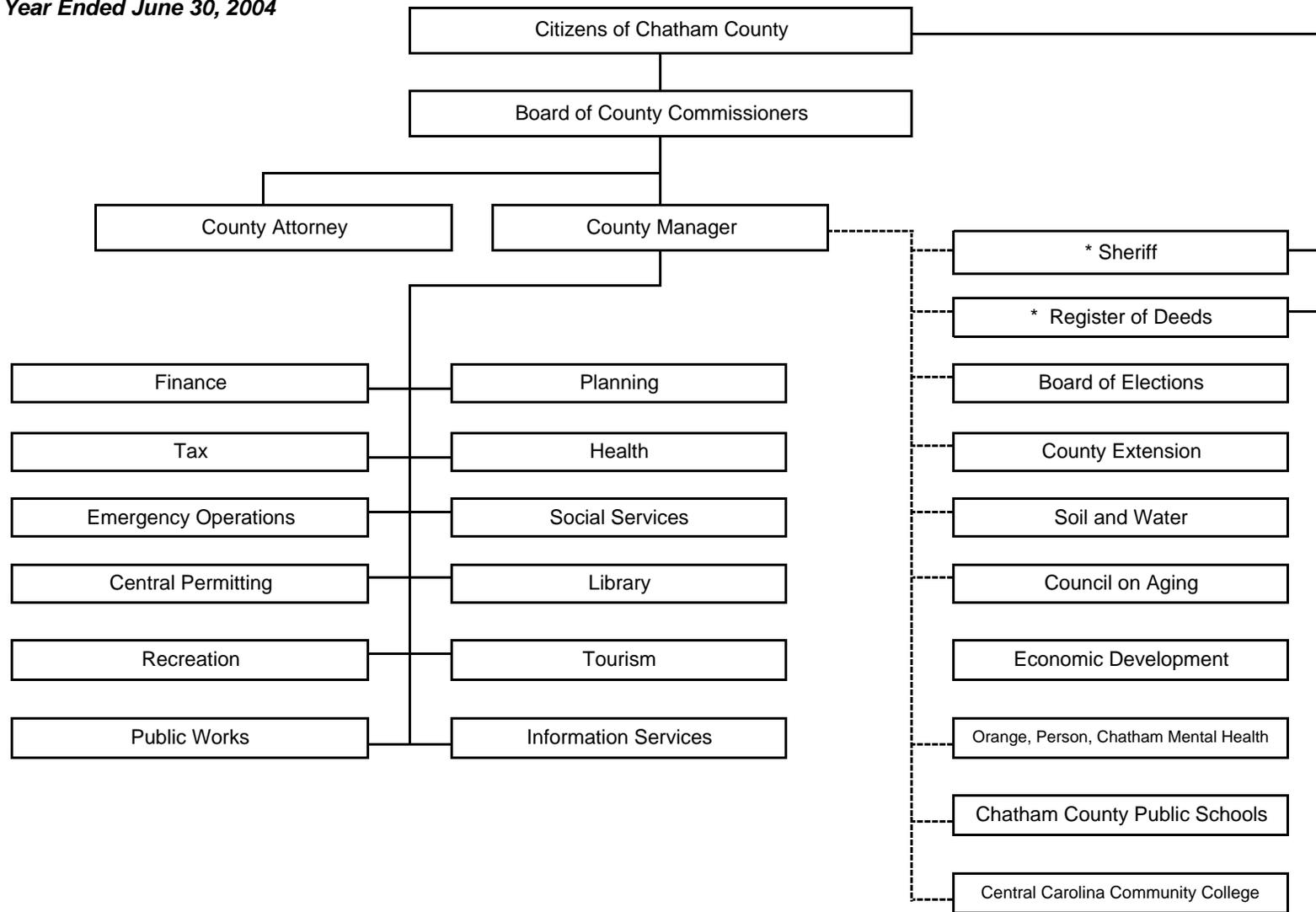
Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

**Chatham County
Organization Chart
Fiscal Year Ended June 30, 2004**



* Elected Officials

----- Denotes liaison relationship

Financial Section



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
County of Chatham, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of County of Chatham, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Chatham's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Chatham County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinion, insofar as it relates to the amounts included for the Chatham County ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004 on our consideration of County of Chatham's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance on pages 3 through 11 and pages 59 through 60 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Chatham, North Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of County of Chatham, North Carolina. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Dixon Hughes PLLC

October 13, 2004

Management's Discussion and Analysis

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

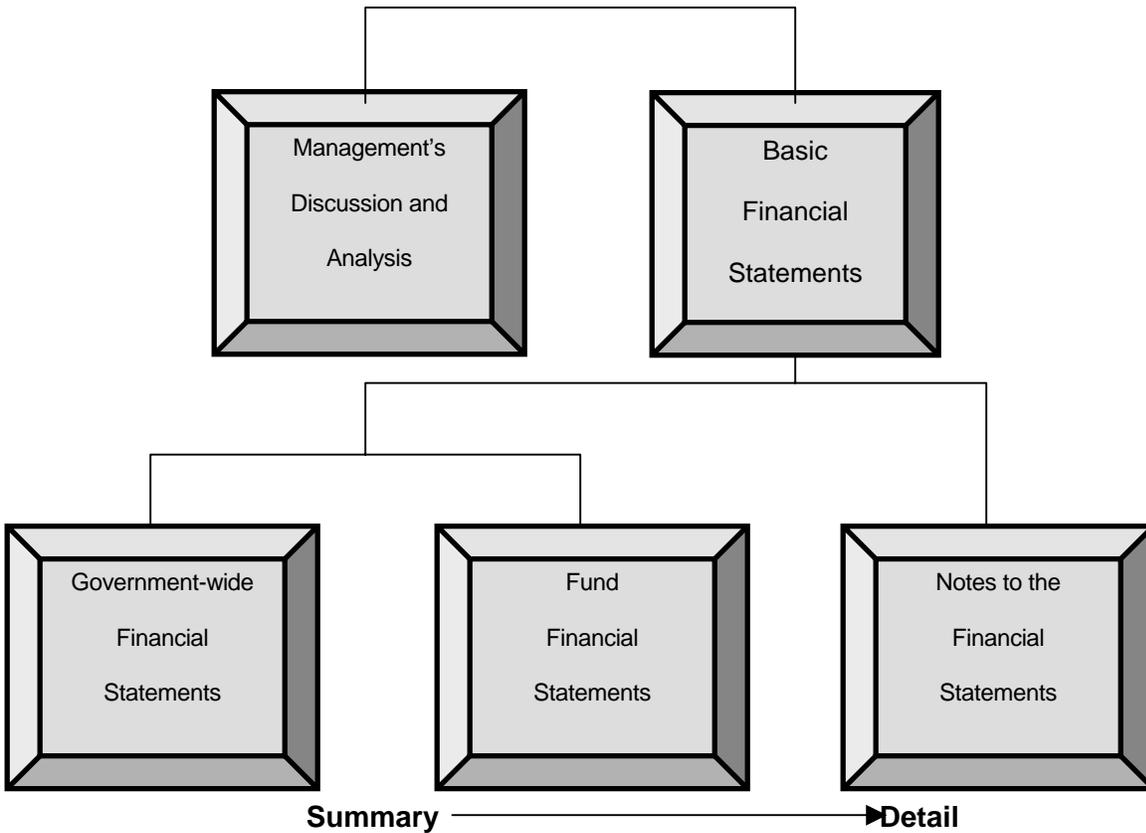
Financial Highlights

- The assets of County of Chatham exceeded its liabilities at the close of the fiscal year by \$40,574,977. The assets of the governmental activities exceeded liabilities by \$18,553,789 and the assets of the business-type activities exceeded liabilities by \$22,021,188.
- The government's total net assets increased by \$6,909,256, primarily due to increased net assets in the General Fund and the Impact Fees Fund.
- As of the close of the current fiscal year, County of Chatham's governmental funds reported combined ending fund balances of \$27,321,635, an increase of \$3,611,521 in comparison with the prior year. Approximately 84.6 percent of this total amount, or \$23,102,119, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15,493,388, or 31.6 percent of total general fund expenditures for the fiscal year.
- County of Chatham's total debt decreased by \$1,716,401 (7.1%) during the current fiscal year.
- County of Chatham raised its A+ bond rating from Standard and Poor's to AA- and maintained its A1 rating from Moody's Investor Service.

Overview of the Financial Statements

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

**Required Components of Annual Financial Report
Figure 1**



Basic Financial Statements

The first two statements (pages 12 through 14) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (pages 15 through 24) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements are the Statement of Net Assets and the Statement of Activities. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating. The *statement of activities* presents information which shows how the County's net assets changed during the most recent fiscal year.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, human services, education, parks and recreation, and general administration. Property taxes, sales and other taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the utility and solid waste management services offered by County of Chatham. The final category is the component unit. Although legally separate from the County, the Chatham County ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on pages 12 through 14 of this report.

Fund Financial Statements

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

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

County of Chatham adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balance.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the utility and solid waste management activities, both of which are considered to be major funds of the County.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. County of Chatham has seven fiduciary funds, a pension trust fund, an employee benefit trust fund and five agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning County of Chatham's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 59 and 60 of this report.

Government-Wide Financial Analysis of the County of Chatham

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the County as a whole.

Net Assets

The following (Figure 2) reflects condensed information on the County's net assets.

**County of Chatham
Statement of Net Assets
Figure 2**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>		
Current and other assets	\$ 32,350,992	\$28,111,329	\$4,348,516	\$4,193,935	\$36,699,508	\$32,305,264	\$ 4,394,244	13.60%
Capital assets	<u>10,589,183</u>	<u>10,633,314</u>	<u>19,974,122</u>	<u>19,346,897</u>	<u>30,563,305</u>	<u>29,980,211</u>	<u>583,094</u>	1.94
Total assets	<u>42,940,175</u>	<u>38,744,643</u>	<u>24,322,638</u>	<u>23,540,832</u>	<u>67,262,813</u>	<u>62,285,475</u>	<u>4,977,338</u>	7.99
Long-term liabilities								
outstanding	18,948,268	21,485,787	1,493,819	1,479,597	20,442,087	22,965,384	(2,523,297)	(10.99)
Other liabilities	<u>5,438,118</u>	<u>4,509,680</u>	<u>807,631</u>	<u>1,144,690</u>	<u>6,245,749</u>	<u>5,654,370</u>	<u>591,379</u>	10.46
Total liabilities	<u>24,386,386</u>	<u>25,995,467</u>	<u>2,301,450</u>	<u>2,624,287</u>	<u>26,687,836</u>	<u>28,619,754</u>	<u>(1,931,918)</u>	(6.75)
Net assets								
Invested in capital assets,								
net of related debt	10,442,547	10,206,469	18,354,446	17,261,722	28,796,993	27,468,191	1,328,802	4.84
Restricted	6,058,880	4,893,047	-	-	6,058,880	4,893,047	1,165,833	23.83
Unrestricted	<u>2,052,362</u>	<u>(2,350,340)</u>	<u>3,666,742</u>	<u>3,654,823</u>	<u>5,719,104</u>	<u>1,304,483</u>	<u>4,414,621</u>	338.42
Total net assets	<u>\$ 18,553,789</u>	<u>\$12,749,176</u>	<u>\$ 22,021,188</u>	<u>\$20,916,545</u>	<u>\$40,574,977</u>	<u>\$33,665,721</u>	<u>\$ 6,909,256</u>	20.52

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of County of Chatham exceeded liabilities by \$40,574,977 as of June 30, 2004. The County's net assets increased by \$6,909,256 for the year ended June 30, 2004. One of the largest portions (70.97%) reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. County of Chatham uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although County of Chatham's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of County of Chatham's net assets (\$6,058,880 or 14.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,719,104 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.34%, higher than the statewide average of 95.00% for counties of similar size population.
- Decrease in long-term debt due to annual debt payments with no significant increase in new debt.

Changes in Net Assets

The County's total revenues and expenses for governmental and business-type activities are reflected in Figure 3.

County of Chatham Changes in Net Assets Figure 3

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>		
Revenues:								
Program revenues:								
Charges for services	\$ 4,417,230	\$ 2,836,061	\$ 5,678,557	\$ 4,848,808	\$10,095,787	\$ 7,684,869	\$ 2,410,918	31.37%
Operating grants and contributions	8,580,640	6,971,542	61,414	31,399	8,642,054	7,002,941	1,639,113	23.41
Capital grants and contributions	2,500	52,501	1,500	125,511	4,000	178,012	(174,012)	(97.75)
General revenues:								
Property taxes	34,055,880	32,466,716	-	-	34,055,880	32,466,716	1,589,164	4.89
Local option sales tax	8,984,037	7,653,819	-	-	8,984,037	7,653,819	1,330,218	17.38
Other taxes and licenses	837,925	1,832,756	68,837	65,471	906,762	1,898,227	(991,465)	(52.23)
Grants and contributions, not restricted to specific programs	330,170	226,997	-	-	330,170	226,997	103,173	45.45
Investment earnings	332,422	386,210	62,730	61,790	395,152	448,000	(52,848)	(11.80)
Other	103,251	29,323	26,817	6,950	130,068	36,273	93,795	258.58
Total revenues	<u>57,644,055</u>	<u>52,455,925</u>	<u>5,899,855</u>	<u>5,139,929</u>	<u>63,543,910</u>	<u>57,595,854</u>	<u>5,948,056</u>	10.36
Expenses:								
General government	4,392,196	4,172,181	-	-	4,392,196	4,172,181	220,015	5.27
Public safety	10,892,994	10,060,090	-	-	10,892,994	10,060,090	832,904	8.28
Economic and physical development	2,018,692	1,613,947	-	-	2,018,692	1,613,947	404,745	25.08
Human services	14,937,827	14,306,118	-	-	14,937,827	14,306,118	631,709	4.42
Cultural and recreational	989,648	1,005,855	-	-	989,648	1,005,855	(16,207)	(1.61)
Education	17,088,103	16,229,525	-	-	17,088,103	16,229,525	858,578	5.29
Interest on long-term debt	1,028,670	1,156,826	-	-	1,028,670	1,156,826	(128,156)	(11.08)
Utility	-	-	3,066,158	3,060,716	3,066,158	3,060,716	5,442	0.18
Solid waste management	-	-	2,220,366	2,139,501	2,220,366	2,139,501	80,865	3.78
Total expenses	<u>51,348,130</u>	<u>48,544,542</u>	<u>5,286,524</u>	<u>5,200,217</u>	<u>56,634,654</u>	<u>53,744,759</u>	<u>2,889,895</u>	5.38
Increase (decrease) in net assets before transfers	6,295,925	3,911,383	613,331	(60,288)	6,909,256	3,851,095	3,058,161	79.41
Transfers	(491,312)	(513,423)	491,312	513,423	-	-	-	-
Increase in net assets	5,804,613	3,397,960	1,104,643	453,135	6,909,256	3,851,095	3,058,161	79.41
Net assets, July 1, as restated	<u>12,749,176</u>	<u>9,351,216</u>	<u>20,916,545</u>	<u>20,463,410</u>	<u>33,665,721</u>	<u>29,814,626</u>	<u>3,851,095</u>	12.92
Net assets, June 30	<u>\$18,553,789</u>	<u>\$12,749,176</u>	<u>\$22,021,188</u>	<u>\$20,916,545</u>	<u>\$40,574,977</u>	<u>\$33,665,721</u>	<u>\$ 6,909,256</u>	20.52

Governmental activities. Governmental activities increased the County's net assets by \$5,804,613, thereby accounting for 84.01% of the total growth in the net assets of County of Chatham. Key elements of this increase are as follows:

- Increase in property tax base of 3.57% resulting in increased property tax revenue.
- Maintenance of the County's high tax collection rate of 97.34%.
- Increase in grant revenues for public safety, economic and physical development and human services by 20.19%
- Increase in retail sales within the County resulting in a 17.38% increase in local sales tax revenues

Business-type activities: Business-type activities increased County of Chatham's net assets by \$1,104,643, accounting for 15.99% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in waste management fees.
- Redistribution of fees charged for collection and disposal of waste to more accurately reflect the cost.

Financial Analysis of the County's Funds

As noted earlier, County of Chatham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of County of Chatham's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing County of Chatham's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of County of Chatham. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$15,493,388, while total fund balance reached \$19,597,084. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 31.60 percent of total General Fund expenditures, while total fund balance represents 39.97 percent of that same amount.

At June 30, 2004, the governmental funds of County of Chatham reported a combined fund balance of \$27,321,635, a 15.23 percent increase over last year. The primary reason for this increase is the increase in fund balance in the General Fund and in the Impact Fees Fund, a special revenue fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$1,956,026 and expenditures by \$2,485,009.

Operating revenues of the general fund were \$2.1 million more than the final budgeted amount. This increase was primarily due to increases in sales tax revenue, increases in state and federal grants and an increase in revenue received from fees collected by the inspections department and the register of deeds.

Efforts were made to control spending during the fiscal year resulting in expenditures lower than final appropriations. Within the Human Services function various program expenditures differed from levels originally forecast. The actual expenditures within the general fund totaled \$1.8 million less than appropriated.

Proprietary Funds. County of Chatham’s proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Utility Fund at the end of the fiscal year amounted to \$2,311,274, and those for the Solid Waste Management Fund equaled \$1,323,926. The net assets for the Utility Fund increased \$885,063 and the Solid Waste Management Fund’s net assets increased \$217,976 for the year ended June 30, 2004. Other factors concerning the finances of these two funds have already been addressed in the discussion of County of Chatham’s business-type activities.

Capital Asset and Debt Administration

Capital assets. County of Chatham’s capital assets for its governmental and business – type activities as of June 30, 2004, totals \$30,563,305 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles and infrastructure for utility and solid waste management services.

Major capital asset transactions during the year include:

- Purchased new vehicles and equipment for the Sheriff Department
- Disposed of old vehicles in the Sheriff Department
- Addition of construction in progress on water distribution system
- Purchased vehicles and equipment for Utility operations
- Acquired additional property to provide a buffer zone for the landfill that was closed in 1993

**Chatham County’s Capital Assets
(Net of Depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>		
Non-depreciable assets:								
Land	\$ 2,916,379	\$ 2,917,448	\$ 497,772	\$ 496,272	\$ 3,414,151	\$ 3,413,720	\$ 431	0.01%
Construction in progress	463,201	128,793	1,855,712	399,248	2,318,913	528,041	1,790,872	339.15
Depreciable assets:								
Buildings	6,110,834	6,550,211	3,481,713	3,783,271	9,592,547	10,333,482	(740,935)	(7.17)
Infrastructure:								
Wells and water lines	-	-	13,584,671	13,918,635	13,584,671	13,918,635	(333,964)	(2.40)
Equipment and vehicles	<u>1,098,769</u>	<u>1,036,862</u>	<u>554,253</u>	<u>749,471</u>	<u>1,653,022</u>	<u>1,786,333</u>	<u>(133,311)</u>	(7.46)
Total	<u>\$10,589,183</u>	<u>\$10,633,314</u>	<u>\$ 19,974,121</u>	<u>\$19,346,897</u>	<u>\$30,563,304</u>	<u>\$29,980,211</u>	<u>\$ 583,093</u>	1.94

Additional information on the County’s capital assets can be found in note 4 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2004, County of Chatham had total bonded debt outstanding of \$21,291,648 all of which is debt backed by the full faith and credit of the County.

**County of Chatham's Outstanding Debt
General Obligation Bonds and Other Long-Term Obligations
Figure 5**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>		<u>Amount Change</u>	<u>% Change</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>		
General obligation								
Bonds	\$21,291,648	\$22,307,341	\$ -	\$ -	\$21,291,648	\$22,307,341	\$ (1,015,693)	(4.55)%
Other long-term obligations	<u>146,636</u>	<u>426,845</u>	<u>1,619,676</u>	<u>2,085,175</u>	<u>1,766,312</u>	<u>2,512,020</u>	<u>(745,708)</u>	(29.69)
Total	<u>\$21,438,284</u>	<u>\$22,734,186</u>	<u>\$ 1,619,676</u>	<u>\$ 2,085,175</u>	<u>\$23,057,960</u>	<u>\$24,819,361</u>	<u>\$ (1,761,401)</u>	(7.10)

County of Chatham's bonded debt decreased by \$1,015,693 (4.55 percent) during the past fiscal year, primarily due to principal payments on existing debt. The County issued \$10,305,000 in general obligation refunding bonds to advance refund \$9,500,000 of outstanding debt. Total debt service payments over the next 12 years will be reduced by \$855,600 resulting in an economic gain of \$718,515.

As mentioned in the financial highlights section of this document, County of Chatham maintained its A1 bond rating from Moody's Investor Service and increased its A+ rating from Standard and Poor's Corporation to AA-.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for County of Chatham is \$364,379,120.

Additional information regarding County of Chatham's long-term debt can be found in note 7 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- The County is enjoying a low unemployment rate of 4.8%, lower than the state average of 6.5%
- Chatham County is ranked among the 70 fastest-growing counties in the country. (*U. S. Census Bureau*)

Budget Highlights for the Fiscal Year Ending June 30, 2005

Governmental Activities: The County has approved a \$54,440,695 general fund budget for fiscal year 2005 which represents a 12.51% increase over the original budget adopted for the 2004 fiscal year. This increase was accomplished without an increase in the property tax rate of 64.64 cents per \$100 of assessed valuation.

Business – type Activities: The County will continue with it's plans to extend major water line across the County and to make significant upgrades to it's water plant. These extensions and upgrades are anticipated to cost \$16.4 million and will be financed with low interest loans from the State and installment financing

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, County of Chatham, Post Office Box 608, Pittsboro, NC 27312.

Basic Financial Statements

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Chatham County ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 25,964,716	\$ 3,511,080	\$ 29,475,796	\$ 233,280
Property taxes receivables (net)	1,596,779	-	1,596,779	-
Accrued interest receivable on taxes (net)	236,160	-	236,160	-
Accounts receivable (net)	278,599	711,677	990,276	331
Due from other governments	3,952,374	64,212	4,016,586	-
Other receivables	122,742	30,005	152,747	-
Internal balances	(31,542)	31,542	-	-
Inventories	-	-	-	190,449
Net pension asset	75,846	-	75,846	-
Prepaid expenses	-	-	-	12,189
Total current assets	<u>32,195,674</u>	<u>4,348,516</u>	<u>36,544,190</u>	<u>436,249</u>
Capital assets:				
Land, improvements and construction in progress	3,379,580	2,353,484	5,733,064	-
Other capital assets, net of depreciation	<u>7,209,603</u>	<u>17,620,638</u>	<u>24,830,241</u>	<u>39,520</u>
Total capital assets	<u>10,589,183</u>	<u>19,974,122</u>	<u>30,563,305</u>	<u>39,520</u>
Other assets:				
Deferred charge - issuance costs (net)	<u>155,318</u>	<u>-</u>	<u>155,318</u>	<u>-</u>
Total assets	<u>\$ 42,940,175</u>	<u>\$ 24,322,638</u>	<u>\$ 67,262,813</u>	<u>\$ 475,769</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,078,393	\$ 444,882	2,523,275	\$ 89,173
Claims and judgements	163,000	-	163,000	-
Customer deposits	-	188,280	188,280	-
Unearned revenues	393,872	-	393,872	-
Compensated absences - current	711,343	37,185	748,528	7,778
Debt obligations - current	<u>2,091,510</u>	<u>137,284</u>	<u>2,228,794</u>	<u>-</u>
Total current liabilities	<u>5,438,118</u>	<u>807,631</u>	<u>6,245,749</u>	<u>96,951</u>
Noncurrent liabilities:				
Compensated absences	224,544	11,427	235,971	-
Debt obligations	<u>18,723,724</u>	<u>1,482,392</u>	<u>20,206,116</u>	<u>-</u>
Total noncurrent liabilities	<u>18,948,268</u>	<u>1,493,819</u>	<u>20,442,087</u>	<u>-</u>
Total liabilities	<u>24,386,386</u>	<u>2,301,450</u>	<u>26,687,836</u>	<u>96,951</u>

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF NET ASSETS (Continued)
June 30, 2004

	Primary Government			Chatham County ABC Board
	Governmental Activities	Business-type Activities	Total	
NET ASSETS				
Investment in capital assets, net of related debt	10,442,547	18,354,446	28,796,993	39,520
Restricted for:				
Register of Deeds	56,676	-	56,676	-
Courthouse clocks	55,726	-	55,726	-
Public safety	1,654,637	-	1,654,637	-
Economic and physical development	228,938	-	228,938	-
Cultural and recreational	437,111	-	437,111	-
Education	3,625,792	-	3,625,792	-
Unrestricted	<u>2,052,362</u>	<u>3,666,742</u>	<u>5,719,104</u>	<u>339,298</u>
Total net assets	<u>\$ 18,553,789</u>	<u>\$ 22,021,188</u>	<u>\$ 40,574,977</u>	<u>\$ 378,818</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Chatham County ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,392,196	\$ 766,371	\$ 51,795	\$ -	\$ (3,574,030)	\$ -	\$ (3,574,030)	\$ -
Public safety	10,892,994	1,139,489	810,741	2,500	(8,940,264)	-	(8,940,264)	-
Economic and physical development	2,018,692	118,098	882,588	-	(1,018,006)	-	(1,018,006)	-
Human services	14,937,827	1,066,936	6,429,389	-	(7,441,502)	-	(7,441,502)	-
Cultural and recreational	989,648	208,336	149,290	-	(632,022)	-	(632,022)	-
Education	17,088,103	1,118,000	256,837	-	(15,713,266)	-	(15,713,266)	-
Interest on long-term debt	1,028,670	-	-	-	(1,028,670)	-	(1,028,670)	-
Total governmental activities	51,348,130	4,417,230	8,580,640	2,500	(38,347,760)	-	(38,347,760)	-
Business-type activities:								
Utility	3,066,158	3,412,474	-	1,500	-	347,816	347,816	-
Solid waste management	2,220,366	2,266,083	61,414	-	-	107,131	107,131	-
Total business-type activities	5,286,524	5,678,557	61,414	1,500	-	454,947	454,947	-
Total primary government	\$ 56,634,654	\$ 10,095,787	\$ 8,642,054	\$ 4,000	(38,347,760)	454,947	(37,892,813)	-
Component unit;								
Chatham County ABC Board	\$ 1,217,199	\$ 1,248,548	\$ -	\$ -	-	-	-	31,349
General revenues:								
Taxes:								
Property taxes, levied for general purposes					34,055,880	-	34,055,880	-
Local option sales tax					8,984,037	-	8,984,037	-
Other taxes and licenses					837,925	68,837	906,762	-
Grants and contributions, not restricted to specific programs					330,170	-	330,170	-
Unrestricted investment earnings					332,422	62,730	395,152	407
Miscellaneous					103,251	26,817	130,068	-
Transfers					(491,312)	491,312	-	-
Total general revenues, special items and transfers					44,152,373	649,696	44,802,069	407
Change in net assets					5,804,613	1,104,643	6,909,256	31,756
Net assets - beginning, as originally reported					15,602,360	21,004,746	36,607,106	347,062
Prior period adjustments (Note 17)					(2,853,184)	(88,201)	(2,941,385)	-
Net assets - beginning, as restated					12,749,176	20,916,545	33,665,721	347,062
Net assets - ending					\$ 18,553,789	\$ 22,021,188	\$ 40,574,977	\$ 378,818

COUNTY OF CHATHAM, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Impact Fees		
ASSETS				
Cash, cash equivalents and investments	\$ 17,514,602	\$ 3,425,402	\$ 4,387,839	\$ 25,327,843
Receivables, net				
Taxes	1,491,884	-	104,895	1,596,779
Accounts	248,146	-	-	248,146
Due from other governments	3,740,145	-	212,229	3,952,374
Other receivables	<u>76,322</u>	<u>10,908</u>	<u>34,199</u>	<u>121,429</u>
Total assets	<u>\$ 23,071,099</u>	<u>\$ 3,436,310</u>	<u>\$ 4,739,162</u>	<u>\$ 31,246,571</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,598,717	\$ -	\$ 317,975	\$ 1,916,692
Unearned revenue	365,821	-	28,051	393,872
Deferred revenue	<u>1,509,477</u>	<u>-</u>	<u>104,895</u>	<u>1,614,372</u>
Total liabilities	<u>3,474,015</u>	<u>-</u>	<u>450,921</u>	<u>3,924,936</u>
Fund balances:				
Reserved:				
By State statute	4,047,020	10,908	49,186	4,107,114
For Register of Deeds	56,676	-	-	56,676
For courthouse clocks	-	-	55,726	55,726
Unreserved, reported in:				
General Fund				
Designated for subsequent year's expenditures	2,523,802	3,134,107	3,378,963	9,036,872
Undesignated	12,969,586	-	-	12,969,586
Impact Fees Fund	-	291,295	-	291,295
Unreserved, reported in non-major funds:				
Special Revenue Funds	-	-	560,782	560,782
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>243,584</u>	<u>243,584</u>
Total fund balances	<u>19,597,084</u>	<u>3,436,310</u>	<u>4,288,241</u>	<u>27,321,635</u>
Total liabilities and fund balances	<u>\$ 23,071,099</u>	<u>\$ 3,436,310</u>	<u>\$ 4,739,162</u>	<u>\$ 31,246,571</u>
Reconciliation of fund balance as reported in the balance sheet - governmental funds with net assets - governmental activities				
Fund balance as reported in the balance sheet - governmental funds				\$ 27,321,635
Amounts reported for governmental activities in the statement of net assets are different because				
Assets that are not available to pay for current period expenditures and, therefore, are not recorded in the funds				236,160
Prepaid asset for net pension obligation, not reported in the funds				75,846
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				10,589,183
Deferred charges relating to the advance refunding bond issue to be amortized and reported in the funds as expenditures				1,013,378
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				474,097
Liabilities for earned but deferred revenues in fund statements				1,614,372
Compensated absences not expected to be materially liquidated with expendable available resources				(935,887)
Long-term liabilities, including bonds payable, installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds				<u>(21,834,995)</u>
Net assets of governmental activities				<u>\$ 18,553,789</u>

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Impact Fees		
REVENUES				
Ad valorem taxes	\$ 31,389,258	\$ -	\$ 2,550,094	\$ 33,939,352
Local option sales tax	8,984,037	-	-	8,984,037
Other taxes and licenses	554,960	-	282,965	837,925
Unrestricted intergovernmental	330,170	-	-	330,170
Restricted intergovernmental	7,569,179	-	1,011,460	8,580,639
Permits and fees	1,548,003	1,118,000	150,336	2,816,339
Sales and services	1,595,611	-	-	1,595,611
Investment earnings	194,234	45,715	56,130	296,079
Other general revenues	68,180	-	36,787	104,967
Total revenues	52,233,632	1,163,715	4,087,772	57,485,119
EXPENDITURES				
Current:				
General government	4,116,614	-	305,229	4,421,843
Public safety	7,659,640	-	3,048,852	10,708,492
Economic and physical development	1,037,544	-	961,168	1,998,712
Human services	14,848,072	-	-	14,848,072
Cultural and recreational	952,089	-	188,371	1,140,460
Intergovernmental:				
Education	17,088,103	-	-	17,088,103
Debt service:				
Principal retirement	2,100,902	-	-	2,100,902
Interest and fees	1,072,039	-	-	1,072,039
Bond issuance costs	158,669	-	-	158,669
Total expenditures	49,033,672	-	4,503,620	53,537,292
Excess of revenues over (under) expenditures	3,199,960	1,163,715	(415,848)	3,947,827
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	(1,108,843)	(158,299)	767,142	(500,000)
Proceeds from refunding debt	10,540,010	-	-	10,540,010
Payment to refunded debt escrow agent	(10,376,316)	-	-	(10,376,316)
Total other financing sources (uses)	(945,149)	(158,299)	767,142	(336,306)
Net change in fund balances	2,254,811	1,005,416	351,294	3,611,521
Fund balances - beginning of year:				
As previously reported	16,821,483	2,430,894	3,936,947	23,189,324
Change in accounting principal (Note 17)	520,790	-	-	520,790
As restated	17,342,273	2,430,894	3,936,947	23,710,114
Fund balances - end of year	\$ 19,597,084	\$ 3,436,310	\$ 4,288,241	\$ 27,321,635

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

Reconciliation of net change in fund balance in the statement of revenues, expenditures, and changes in fund balances - governmental funds to change in net assets - governmental activities	
Net changes in fund balances - total governmental funds	\$ 3,611,521
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal. This is the amount by which depreciation exceeded capital outlays in the current period	(53,603)
Basis of capital assets disposed of during the year, not recognized on modified accrual basis	(16,195)
Basis of capital assets transferred from enterprise fund, not recognized in the governmental fund	23,167
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	2,074,270
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 governmental fund statements	(11,024)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund statements	124,309
Net revenue of the Self-Insurance Internal Service Fund determined to be governmental-type	<u>52,168</u>
Total change in net assets of governmental activities	<u>\$ 5,804,613</u>

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2004

	General Fund			Impact Fees Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUES							
Ad valorem taxes	\$ 31,109,812	\$ 31,109,812	\$ 31,389,258	\$ -	\$ -	\$ -	\$ -
Local option sales tax	8,650,201	8,650,201	8,984,037	-	-	-	-
Other taxes and licenses	508,418	508,418	554,960	-	-	-	-
Unrestricted intergovernmental	112,000	112,000	330,170	-	-	-	-
Restricted intergovernmental	5,020,641	6,959,530	7,569,179	-	-	-	-
Permits and fees	1,067,700	1,072,487	1,548,003	982,000	982,000	1,118,000	136,000
Sales and services	1,447,644	1,459,894	1,595,611	-	-	-	-
Investment earnings	185,000	185,000	194,234	16,000	16,000	45,715	29,715
Other general revenues	44,922	44,922	68,180	-	-	-	-
Total revenues	48,116,338	50,072,364	52,233,632	998,000	998,000	1,163,715	165,715
EXPENDITURES							
Current:							
General government	4,074,033	4,252,803	4,116,614	-	-	-	-
Public safety	7,593,333	8,133,170	7,659,640	-	-	-	-
Economic and physical development	1,063,016	1,104,834	1,037,544	-	-	-	-
Human services	14,408,914	15,926,314	14,848,072	-	-	-	-
Cultural and recreational	980,063	1,014,724	952,089	-	-	-	-
Intergovernmental:							
Education	17,069,804	17,088,103	17,088,103	2,839,701	2,839,701	-	2,839,701
Debt service:							
Principal retirement	2,113,748	2,116,782	2,100,902	-	-	-	-
Interest and fees	1,076,474	1,076,474	1,072,039	-	-	-	-
Bond issuance costs	-	160,000	158,669	-	-	-	-
Contingency	10,000	1,190	-	-	-	-	-
Total expenditures	48,389,385	50,874,394	49,033,672	2,839,701	2,839,701	-	2,839,701
Revenues over (under) expenditures	(273,047)	(802,030)	3,199,960	(1,841,701)	(1,841,701)	1,163,715	3,005,416
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	215,265	321,473	246,207	-	-	-	-
Transfers to other funds	(784,218)	(1,389,319)	(1,355,050)	(158,299)	(158,299)	(158,299)	-
Proceeds from refunding debt	-	10,536,317	10,540,010	-	-	-	-
Payment to refunded debt escrow agent	-	(10,376,317)	(10,376,316)	-	-	-	-
Total other financing sources (uses)	(568,953)	(907,846)	(945,149)	(158,299)	(158,299)	(158,299)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(842,000)	(1,709,876)	2,254,811	(2,000,000)	(2,000,000)	1,005,416	3,005,416
Appropriated fund balance	842,000	1,709,876	-	2,000,000	2,000,000	-	(2,000,000)
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	\$ -	\$ -	2,254,811	\$ -	\$ -	1,005,416	\$ 1,005,416
Fund balances - beginning of year:							
As previously reported			16,821,483			2,430,894	
Prior period adjustment			520,790			-	
As restated			<u>17,342,273</u>			<u>2,430,894</u>	
Fund balances - end of year			\$ 19,597,064			\$ 3,436,310	

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
 JUNE 30, 2004

	Business-type Activities - Enterprise		Total	Governmental Activities Self-Insurance Internal Service
	Utility	Solid Waste Management		
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 2,224,816	\$ 1,286,264	\$ 3,511,080	\$ 636,873
Receivables, net	601,297	110,380	711,677	28,953
Due from other governments	23,018	41,194	64,212	-
Other receivables	10,127	19,878	30,005	2,813
Total current assets	2,859,258	1,457,716	4,316,974	668,639
Capital assets:				
Land, improvements and construction in progress	1,834,385	519,099	2,353,484	-
Other capital assets, net of depreciation	16,404,303	1,216,335	17,620,638	-
Total capital assets, net	18,238,688	1,735,434	19,974,122	-
Total assets	\$ 21,097,946	\$ 3,193,150	\$ 24,291,096	\$ 668,639
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 335,814	\$ 109,068	\$ 444,882	\$ 163,000
Claims and judgements	-	-	-	-
Customer deposits	187,030	1,250	188,280	-
Compensated absences payable - current	13,713	23,472	37,185	-
Installment notes payable - current	137,284	-	137,284	-
Total current liabilities	673,841	133,790	807,631	163,000
Noncurrent liabilities:				
Compensated absences payable - noncurrent	11,427	-	11,427	-
Installment notes payable - noncurrent	1,482,392	-	1,482,392	-
Total noncurrent liabilities	1,493,819	-	1,493,819	-
NET ASSETS				
Invested in capital assets, net of related debt	16,619,012	1,735,434	18,354,446	-
Unrestricted	2,311,274	1,323,926	3,635,200	505,639
Total net assets	\$ 18,930,286	\$ 3,059,360	\$ 21,989,646	\$ 505,639
Reconciliation of net assets as reported in the statement of net assets - proprietary funds with net assets - business-type activities:				
Net assets as reported for Enterprise Funds in the statement of net assets - proprietary funds			\$ 21,989,646	
Amounts reported for business-type activities in the statement of net assets are different because:				
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			31,542	
Net assets - business-type activities			\$ 22,021,188	

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	
OPERATING REVENUES				
Charges for services	\$ 3,412,474	\$ 2,266,083	\$ 5,678,557	\$ 2,385,032
Other operating revenues	35	72,219	72,254	-
Total operating revenues	3,412,509	2,338,302	5,750,811	2,385,032
OPERATING EXPENSES				
Operating expenses	2,296,980	2,006,831	4,303,811	2,367,603
Depreciation and amortization	680,663	214,271	894,934	-
Total operating expenses	2,977,643	2,221,102	5,198,745	2,367,603
Operating income	434,866	117,200	552,066	17,429
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	46,767	15,962	62,729	36,343
Interest and other charges	(89,382)	-	(89,382)	-
Grants and subsidies	-	61,414	61,414	-
Other	-	23,400	23,400	-
Total nonoperating revenues (expenses), net	(42,615)	100,776	58,161	36,343
Income before capital contribution and transfers	392,251	217,976	610,227	53,772
Transfers from (to) other funds, net	491,312	-	491,312	-
Capital contributions	1,500	-	1,500	-
Change in net assets	885,063	217,976	1,103,039	53,772
Total net assets - beginning, as originally reported	18,045,223	2,841,384	20,886,607	582,867
Prior period adjustment	-	-	-	(131,000)
Total net assets - beginning, as restated	18,045,223	2,841,384	20,886,607	451,867
Total net assets - ending	\$ 18,930,286	\$ 3,059,360	\$ 21,989,646	\$ 505,639

Reconciliation of net income reported on the statement of revenues, expenses and changes in fund assets - proprietary funds to change in net assets - business-type activities:
 Net income total business-type activities - enterprise
 A portion of the revenue and expenditures reported in the self-insurance internal service fund has been allocated to business-type activities
 Total change in net assets of business-type activities

\$ 1,103,039
 1,603
 \$ 1,104,642

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,245,861	\$ 2,256,125	\$ 5,501,986	\$ 2,387,441
Cash paid for goods and services	(1,528,184)	(1,494,474)	(3,022,658)	(2,366,289)
Cash paid to or on behalf of employees for services	(703,977)	(568,726)	(1,272,703)	-
Customer deposits received	39,986	750	40,736	-
Customer deposits returned	(26,870)	-	(26,870)	-
Other operating activities	35	72,219	72,254	-
	<u>1,026,851</u>	<u>265,894</u>	<u>1,292,745</u>	<u>21,152</u>
Net cash provided (used) by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental non-operating revenues received	-	61,414	61,414	-
Transfers from other funds	500,000	-	500,000	-
	<u>500,000</u>	<u>61,414</u>	<u>561,414</u>	<u>-</u>
Net cash provided by noncapital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,384,357)	(38,350)	(1,422,707)	-
Proceeds from disposal of capital assets	-	23,400	23,400	-
Proceeds from issuance of note	145,160	-	145,160	-
Principal paid on bonds, notes and capital leases	(610,659)	-	(610,659)	-
Interest paid on bonds, notes and capital leases	(89,382)	-	(89,382)	-
	<u>(1,939,238)</u>	<u>(14,950)</u>	<u>(1,954,188)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	49,326	14,985	64,311	35,362
	<u>(363,061)</u>	<u>327,343</u>	<u>(35,718)</u>	<u>56,514</u>
Net increase (decrease) in cash and cash equivalents				
Balances - beginning of year	2,587,877	958,921	3,546,798	580,359
Balances - end of year	\$ 2,224,816	\$ 1,286,264	\$ 3,511,080	\$ 636,873

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Fiduciary Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash, cash equivalents and investments	\$ 259,253	\$ 120,209
Property taxes receivables (net)	-	95,724
Due from other governmental agencies	-	30,116
Other receivables	<u>570</u>	<u>114</u>
Total assets	<u>\$ 259,823</u>	<u>\$ 246,163</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	\$ 98	\$ -
Due to agency participants	-	59,320
Due to other government agencies	<u>-</u>	<u>186,843</u>
Total liabilities	<u>98</u>	<u>246,163</u>
Net assets:		
Assets held in trust for employees' pension benefits	250,916	-
Assets held in trust for employees' medical and child care benefits	<u>8,809</u>	<u>-</u>
Total net assets	<u>\$ 259,725</u>	<u>\$ -</u>

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Fiduciary Funds</u>
ADDITIONS:	
Employer on-behalf payments	\$ 50,000
Employee contributions	4,045
Investment earnings	<u>3,230</u>
Total additions	57,275
DEDUCTIONS:	
Benefit payments	<u>49,690</u>
Net change in assets	7,585
Net assets - beginning of year	<u>252,140</u>
Net assets - end of year	<u>\$ 259,725</u>

Notes to the Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves. The notes supplement the financial statements, are an integral part thereof, and are intended to be read in conjunction with the financial statements.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Chatham is a political subdivision of the state of North Carolina. It is located in the central part of the state and has a population of approximately 53,000. 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 on a user charge basis.

The accounting policies of the County of Chatham conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America. A summary of the County's significant accounting policies follows:

Reporting Entity

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

These financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Discretely presented component units are reported in a separate column in the County's combined financial statements in order to emphasize that they are legally separate from the County.

Blended Component Units

Southeast Chatham Water District

Established April 5, 2004 pursuant to authority contained within Article 6 of Chapter 162A of the General Statutes of North Carolina, the County's board of commissioners also serve as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2004. The District will be reported as an Enterprise Fund in future years when it does have financial transactions and account balances. The District does not issue financial statements.

Southwest Chatham Water District

Established April 5, 2004 pursuant to authority contained within Article 6 of Chapter 162A of the General Statutes of North Carolina, the County's board of commissioners also serve as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2004. The District will be reported as an Enterprise Fund in future years when it does have financial transactions and account balances. The District does not issue financial statements.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Northwest Chatham Water District

Established April 5, 2004 pursuant to authority contained within Article 6 of Chapter 162A of the General Statutes of North Carolina, the County's board of commissioners also serve as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2004. The District will be reported as an Enterprise Fund in future years when it does have financial transactions and account balances. The District does not issue financial statements.

Discretely Presented Component Units

Chatham County ABC Board (ABC Board)

All of 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. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. The ABC Board made profit distributions in the amount of \$20,000 to the County for the year ended June 30, 2004.

Complete financial statements for the Chatham County ABC Board may be obtained at their administrative offices at Chatham County ABC Board, Number 1, Cedar Square, Chapel Hill, North Carolina 27516.

Chatham County Industrial Facility and Pollution Control Financing Authority (the Authority) and Conduit Debt Obligations

Chatham County Industrial Facility and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue financial statements.

Basis of Presentation – Government-wide and Fund Financial Statements

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. 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.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Fund Financial Statements - The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented even though the fiduciary funds are excluded from the government-wide financial statements. 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 non-major funds.

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

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 required to be accounted for in another fund.

Impact Fees Fund. This fund accounts 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.

The County reports the following major enterprise funds:

Utility Fund. This fund accounts for the water and sewer operations of the County.

Solid Waste Management Fund. This fund accounts for the operations of the County's collection and disposal of solid waste.

Additionally, the County reports the following fund types:

Fiduciary Funds. The County has two fiduciary funds. The Law Enforcement Employees Pension Trust Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system and the Employees' Medical and Child Care Trust Fund that 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 the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Agency Fund Accounts, which accounts for moneys 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 Agency Fund, which accounts for taxes collected for a special tax district located within the County; and the Chatham County Municipalities Agency Fund, which accounts for taxes collected and remitted to municipalities located within the County.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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 of Chatham has one internal service fund, the Self-Insurance Internal Service Fund.

Measurement Focus and Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, 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, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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 nonoperating revenues and expenses.

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

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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 a 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 those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the County's operations during the 2005 fiscal year.

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.

The County has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Budgetary Data

The County operates under an annual budget ordinance adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act (North Carolina General Statutes Section 159) which requires:

A balanced budget adopted prior to the beginning of the fiscal year.

A budget for every fund before any expenditures can be made.

A budget prepared using the modified accrual method of accounting.

The budget is adopted on a departmental basis (the legal level of control) and may be amended as changing conditions warrant. Amendments can be made only by the governing board. The budget included in the financial statements is the budget as last amended by the board which includes all supplemental appropriations. The budget officer is authorized to transfer appropriations within a fund as follows:

- Transfer amounts between objects of expenditure within a department without limitation.
- Transfer amounts up to \$5,000 between departments of the same fund with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- Transfer amounts up to \$20,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- May not make transfers between funds.
- Employ temporary help from time to time to meet current circumstances; however, the cost of any such temporary help shall be paid from approved allocations for a given department.
- Approve and execute contracts, provided that 1) funds for the contract have been approved as part of the budget ordinance and the contract does not exceed the funds appropriated, 2) the contract's term does not exceed one year, 3) all applicable state laws and County policies regarding purchasing are followed, and 4) the contract does not exceed \$20,000.
- Approve and execute change orders, provided that 1) the change order is for a project approved as part of the budget ordinance or a capital project ordinance approved by the Board of Commissioners and the change order does not exceed the funds appropriated, and 2) the change order does not exceed \$20,000.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

The Local Government Budget and Fiscal Control Act prohibits expenditures in excess of appropriations. Appropriations of fund balance increased \$867,876 in the General Fund during the year. Annual budgets are adopted for all governmental and enterprise funds, except funds authorized by a project ordinance. The County's Self-Insurance Internal Service Fund operates under a financial plan adopted by the governing board at the time the County's budget ordinance is approved, as is required by the General Statutes.

The budget has been restructured in order to conform to the structure of the actual data which is presented in a form to provide the greatest economic meaning to the data. All annual appropriations lapse at each fiscal year-end and must be reappropriated in the following fiscal year's budget. Agency funds are not budgeted.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) The budget officer submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operational budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) The budget is legally enacted through passage of an ordinance by June 30 each year.

Funds with Multi-Year Budgets - Certain special revenue funds and capital projects funds are budgeted under project ordinances spanning more than one fiscal year. Project appropriations for these funds continue until the projects are complete. Those funds include the special revenue fund – Economic and Community Development Fund and the capital project funds – Mapping Project Fund, Facilities Improvements Fund, Southwest Chatham Park Project Fund, and the School Wastewater Improvement Fund.

Funds adopting annual budgets include the General Fund, the proprietary funds, and the special revenue funds – Revaluation Fund, Enhanced 911 Fund, Forfeited Property Fund, School Capital Reserve Fund, Recreation – Payment in Lieu Fund, Bynum Canoe Access Trust Fund, Industrial Reserve Fund, Parks Foundation Trust Fund, Equipment Capital Reserve Fund, Emergency Vehicle Replacement Capital Reserve Fund, Impact Fees Fund, Personnel Savings Reserve Fund, Community Development Fund, the Special Fire Districts Fund and the Courthouse Clocks Fund.

Encumbrances - Although not required by state statute, the County records encumbrances in its accounting system. Encumbrances include purchase orders, contracts and other commitments for monies and 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.

Statement of Cash Flows

All cash and investments of the enterprise funds are maintained in cash and investment pools. Funds are available on demand from the pools. Accordingly, all cash and investments are considered cash and cash equivalents in the statement of cash flows.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The County pools its unrestricted cash resources from several funds, except the Pension Trust Fund, the Employees' Medical and Child Care Trust Fund, and the Social Services Accounts Fund 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.

Interest earned as a result of pooling cash and investments is distributed to the appropriate funds utilizing a formula based on the average monthly balance of cash and investments of each fund.

Deposits and Investments

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

North Carolina General Statutes Section 159-30(c) authorizes the County and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund.

The County and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized costs.

Ad Valorem Taxes Receivable

In accordance with State law, 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 September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on property listed as of January 1 of the levy year and assessed values as of the same date. The lien of property taxes attaches to all the taxpayer's real estate in the County as of January 1 of the year in which the property is listed and assessed. The lien of property taxes attaches to personal property of the taxpayer only when that property is seized or attached by the tax collector.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

Allowances For Uncollectible Accounts

All County 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 bad debts has been provided.

Inventories and Prepaid Items

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

Certain payments to vendors by the ABC Board reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets which include property, plant, infrastructure, equipment and vehicles are reported in the County's government-wide financial statements. Capital assets of the County generally have an initial, individual cost of more than \$2,500 and an estimated 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 fixed assets are recorded at the fair market value on the date of the gift. Costs of repairs and minor renewals are excluded from fixed assets. When an asset is disposed of, the related cost is removed from the accounts.

The County holds title to a certain Chatham County Board of Education property which has not been included in fixed assets. This property has been deeded to the County to permit the issuance of Qualified Zone Academy bonds to finance capital Improvements to the property. Agreements between the County and the Board of Education give the Board full use of the property, full responsibility for the maintenance of the property, and provide that the County will convey title to the property back to the Board of Education once all restrictions of the bond agreement have been met. The property is reflected as capital assets in the financial statements of Chatham County Board of Education.

Capital assets of the County and the ABC Board 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 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	
Computers, equipment and vehicles	3–5 years	4–10 years
Leasehold improvements		10 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest is calculated by offsetting interest earned on invested proceeds with interest expense incurred from the date of the borrowings until completion of the project.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Long-Term Debt

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 water system improvements and purchased equipment and vehicles under private-placement loan agreements and loans from the North Carolina Department of Environment and Natural Resources. It has also acquired certain equipment and vehicles under capital leases. Loan agreements and capital lease agreements are recorded in the appropriate columns of the government-wide and proprietary fund financial statements.

The debt service requirements for long-term debt obligations are appropriated annually in the appropriate fund.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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. 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.

ABC Board employees may accumulate up to forty days earned vacation per year and such leave is fully vested when earned. Accumulated earned vacation at June 30, 2004 amounted to \$7,778.

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 entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the fund financial statements, the County's governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State statute 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 revenue arising from cash receipts as these 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 represents the amount of fund balance, in addition to reserve for inventories, which is 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 represents the amount 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 and imaging technology in the register of deeds office.

Reserved for courthouse clocks represent amounts restricted for maintenance of the courthouse clocks and for the removal of the clocks and restoration of the courthouse cupola at a future date.

Unreserved:

Designated - subsequent year's expenditures represents that portion of fund balance that is to be used to finance expenditures in the following fiscal period.

Undesignated represents the amount of fund balance at year-end which is uncommitted.

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Assets that are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:	
Accrued interest receivable from taxes	\$ 236,160
Prepaid asset in the government-wide statements, not reported in the fund statements as it relates to net pension obligation	<u>75,846</u>
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column)	20,326,716
Less accumulated depreciation	<u>9,737,533</u>
Net capital assets	<u>10,589,183</u>
Deferred charges related to advance refunding bond issue	<u>1,013,378</u>
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:	
Cash	636,873
Accounts receivable	28,953
Other receivables	2,813
Internal balances	(31,542)
Claims and judgments	<u>(163,000)</u>
	<u>474,097</u>
Liabilities for earned but deferred revenues in fund statements:	
Property taxes receivable	1,596,779
Health department fees receivable	<u>17,593</u>
	<u>1,614,372</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are, therefore, not recorded in the fund statements:	
Bonds, installment purchases and capital leases	(21,438,284)
Accrued interest payable	(161,701)
Unamortized bond premium	<u>(235,010)</u>
	<u>(21,834,995)</u>
Compensated absences	<u>(935,887)</u>
	<u>(22,770,882)</u>

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in fund statements but capitalized as assets in the statement of activities	\$ 681,343
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(734,946)
Basis of capital assets disposed of during the year, not recognized in the fund statements	(16,195)
Basis of capital assets transferred from Enterprise Funds during the year, not recognized in the fund statements	23,167

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the 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. The following are differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	2,100,902
Payments to refunded debt escrow agent for advance refunding:	
Par value of bonds to be refunding	9,500,000
Payments for future interest expense	876,316
Proceeds from refunding debt:	
Par value of bonds	(10,305,000)
Reoffering premium	(235,010)
Bond issuance costs	158,622
Amortization of bond issuance costs	(3,304)
Amortization of refunding deferred charge	(18,256)

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

<u>Description</u>	<u>Amount</u>
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	64,976
Difference in retirement expense between fund statements (modified accrual and government-wide statements (full accrual)	10,418
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(86,418)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Fair value of capital assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	2,500
Change in deferred tax revenues in the fund statements	91,918
Change in accrued interest on taxes deferred in the fund statements	24,610
Change in health department fees deferred in the fund statements	5,281
Net revenue of the Self-Insurance Internal Service Fund determined to be to governmental activities	<u>52,168</u>
Total adjustment	<u>\$ 2,193,092</u>

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments of the County as of June 30, 2004 include the following:

	<u>Reported value</u>	<u>Fair value</u>
Cash on hand	\$ 1,840	\$ 1,840
Deposits - NOW, SuperNOW, MMDA and certificates of deposit	27,951,678	27,951,678
North Carolina Capital Management Trust	<u>1,901,740</u>	<u>1,901,740</u>
Total	<u>\$29,855,258</u>	<u>\$ 29,855,258</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Deposits

All of the County's and the ABC Board's deposits are insured using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's or ABC Board's agents in the units' names. Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for noninterest-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 and the ABC Board or with the escrow agent. Because of the inability to measure the exact amount 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.

At year-end, the County's deposits had a carrying amount of \$27,951,678 and a bank balance of \$28,093,350. Of the bank balance, \$297,256 was covered by federal depository insurance and \$27,796,094 was collateralized under the Pooling Method. Cash on hand totaled \$1,840.

At year-end, the ABC Board's deposits had a carrying amount of \$231,380, exclusive of cash on hand of \$1,900, and a bank balance of \$310,290. The bank balance was covered by federal depository insurance and any excess over the FDIC limit was collateralized using the pooling method.

Investments

The County's investments, when applicable, are categorized to give an indication of the level of risk at year-end; investments that are insured or registered or for which the securities are held by the County or its agent in the County's name; uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the County's name; uninsured and unregistered investments for which the securities are held by the broker or dealer or by the financial institution's trust department or agent but not in the County's name.

At June 30, 2004, the County's investments consisted of \$1,901,740 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3 - RECEIVABLES

Receivables at the government-wide level at June 30, 2004, were as follows:

	Taxes and Related Accrued Interest	Accounts	Due from Other Governments	Other	Total
Governmental activities:					
General	\$ 2,229,334	\$ 315,921	\$ 3,740,145	\$ 76,322	\$ 6,361,722
Other governmental	158,664	1,500	212,229	43,607	416,000
Internal service	-	<u>28,953</u>	-	<u>2,813</u>	<u>31,766</u>
	<u>2,387,998</u>	<u>346,374</u>	<u>3,952,374</u>	<u>122,742</u>	<u>6,809,488</u>
Allowance for doubtful accounts	<u>555,059</u>	<u>67,775</u>	-	-	<u>622,834</u>
Total governmental activities	<u>\$ 1,832,939</u>	<u>\$ 278,599</u>	<u>\$ 3,952,374</u>	<u>\$ 122,742</u>	<u>\$ 6,186,654</u>
Business-type activities:					
Utility	\$ -	\$ 644,221	\$ 23,018	\$ 10,127	\$ 677,366
Solid waste management	-	<u>134,480</u>	<u>41,194</u>	<u>19,878</u>	<u>195,552</u>
	-	<u>778,701</u>	<u>64,212</u>	<u>30,005</u>	<u>872,918</u>
Allowance for doubtful accounts	-	<u>67,024</u>	-	-	<u>67,024</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 711,677</u>	<u>\$ 64,212</u>	<u>\$ 30,005</u>	<u>\$ 805,894</u>

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

Governmental activities:

Local option sales tax	\$ 2,505,691
Federal and state grants	1,313,942
Sales tax refunds	86,355
Other	<u>46,386</u>

Total governmental activities \$ 3,952,374

Business-type activities:

Sales tax refunds	\$ 26,699
Scrap tire tax	12,861
White goods disposal tax	4,966
Federal and State grants	<u>19,686</u>

Total business-type activities \$ 64,212

Accounts receivable for Chatham County ABC Board are stated at realizable value and no allowance for doubtful accounts has been provided.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 4 - CAPITAL ASSETS

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

Primary government:

	Balance July 1, 2003	Prior Period Adjustment	Balance As Restated July 1, 2003	Additions	Disposals	Transfers In (Out)	Balance June 30, 2004
Nondepreciable assets:							
Land	\$ 2,917,448	\$ -	\$ 2,917,448	\$ 103	\$ 1,172	\$ -	\$ 2,916,379
Construction in progress	128,793	-	128,793	334,408	-	-	463,201
Total	<u>3,046,241</u>	<u>-</u>	<u>3,046,241</u>	<u>334,511</u>	<u>1,172</u>	<u>-</u>	<u>3,379,580</u>
Depreciable assets:							
Buildings	10,863,243	-	10,863,243	-	-	-	10,863,243
Equipment and vehicles	6,060,927	-	6,060,927	349,332	335,053	8,687	6,083,893
Total	<u>16,924,170</u>	<u>-</u>	<u>16,924,170</u>	<u>349,332</u>	<u>335,053</u>	<u>8,687</u>	<u>16,947,136</u>
Less accumulated depreciation and amortization for:							
Buildings	770,307	3,542,725	4,313,032	264,624	-	174,753	4,752,409
Equipment and vehicles	5,024,065	-	5,024,065	470,322	320,030	(189,233)	4,985,124
Total	<u>5,794,372</u>	<u>3,542,725</u>	<u>9,337,097</u>	<u>734,946</u>	<u>320,030</u>	<u>(14,480)</u>	<u>9,737,533</u>
Depreciable assets – net	<u>11,129,798</u>	<u>(3,542,725)</u>	<u>7,587,073</u>	<u>(385,614)</u>	<u>15,023</u>	<u>23,167</u>	<u>7,209,603</u>
Total Governmental Activities Capital Assets – net	<u>\$14,176,039</u>	<u>\$ (3,542,725)</u>	<u>\$ 10,633,314</u>	<u>\$ (51,103)</u>	<u>\$ 16,195</u>	<u>\$ 23,167</u>	<u>\$10,589,183</u>

Governmental activities by function:

	Balance July 1, 2003	Prior Period Adjustment	Balance As Restated July 1, 2003	Additions	Disposals	Transfers In (Out)	Balance June 30, 2004
General government	\$ 7,842,194	\$ -	\$ 7,842,194	\$ 205,394	\$ 137,205	\$ -	\$ 7,910,383
Public safety	5,782,007	-	5,782,007	257,952	166,550	8,687	5,882,096
Human services	3,496,979	-	3,496,979	28,122	7,500	-	3,517,601
Environmental protection and economic development	2,086,550	-	2,086,550	8,471	-	-	2,095,021
Cultural and recreational	762,681	-	762,681	183,904	24,970	-	921,615
Total	<u>19,970,411</u>	<u>-</u>	<u>19,970,411</u>	<u>683,843</u>	<u>336,225</u>	<u>8,687</u>	<u>20,326,716</u>
Less accumulated depreciation and amortization for:							
General government	1,725,592	2,029,696	3,755,288	162,117	134,183	175,608	3,958,830
Public safety	2,687,030	519,608	3,206,638	421,936	153,377	(173,701)	3,301,496
Human services	815,173	799,673	1,614,846	87,636	7,500	29,347	1,724,329
Environmental protection and economic development		194,454	193,748	388,202	24,916	24,970	-
Cultural and recreational	372,123	-	372,123	38,341	-	(45,734)	364,730
Total	<u>5,794,372</u>	<u>3,542,725</u>	<u>9,337,097</u>	<u>734,946</u>	<u>320,030</u>	<u>(14,480)</u>	<u>9,737,533</u>
Total Governmental Activities Capital Assets – net	<u>\$14,176,039</u>	<u>\$ (3,542,725)</u>	<u>\$ 10,633,314</u>	<u>\$ (51,103)</u>	<u>\$ 16,195</u>	<u>\$ 23,167</u>	<u>\$10,589,183</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Business-type activities:

Utility Fund

	Balance July 1, 2003	Additions	Disposals	Transfers In (Out)	Balance June 30, 2004
Nondepreciable assets:					
Land	\$ 201,382	\$ 1,500	\$ -	\$ -	\$ 202,882
Construction in progress	<u>208,766</u>	<u>1,422,737</u>	-	-	<u>1,631,503</u>
	<u>410,148</u>	<u>1,424,237</u>	-	-	<u>1,834,385</u>
Depreciable assets:					
Buildings	4,449,153	-	-	-	4,449,153
Wells and water lines	16,749,181	-	-	-	16,749,181
Equipment and vehicles	<u>875,138</u>	<u>68,259</u>	-	<u>(8,687)</u>	<u>934,710</u>
	<u>22,073,472</u>	<u>68,259</u>	-	<u>(8,687)</u>	<u>22,133,044</u>
Less accumulated depreciation and amortization for:					
Buildings	1,615,910	222,380	-	-	1,838,290
Wells and water lines	2,830,546	333,964	-	-	3,164,510
Equipment and vehicles	<u>601,622</u>	<u>109,839</u>	-	<u>14,480</u>	<u>725,941</u>
	<u>5,048,078</u>	<u>666,183</u>	-	<u>14,480</u>	<u>5,728,741</u>
Depreciable assets – net	<u>17,025,394</u>	<u>(597,924)</u>	-	<u>(23,167)</u>	<u>16,404,303</u>
Total utility fund capital assets – net	<u>\$17,435,542</u>	<u>\$ 826,313</u>	<u>\$ -</u>	<u>\$ (23,167)</u>	<u>\$18,238,688</u>

Solid Waste Management Fund

	Balance July 1, 2003	Additions	Disposals	Transfers In (Out)	Balance June 30, 2004
Nondepreciable assets:					
Land	\$ 294,890	\$ -	\$ -	\$ -	\$ 294,890
Construction in progress	<u>190,482</u>	<u>33,727</u>	-	-	<u>224,209</u>
	<u>485,372</u>	<u>33,727</u>	-	-	<u>519,099</u>
Depreciable assets:					
Buildings	1,797,817	-	-	-	1,797,817
Equipment and vehicles	<u>1,704,875</u>	<u>4,623</u>	<u>71,400</u>	-	<u>1,638,098</u>
	<u>3,502,692</u>	<u>4,623</u>	<u>71,400</u>	-	<u>3,435,915</u>
Less accumulated depreciation and amortization for:					
Buildings	847,789	79,178	-	-	926,967
Equipment and vehicles	<u>1,228,920</u>	<u>135,093</u>	<u>71,400</u>	-	<u>1,292,613</u>
	<u>2,076,709</u>	<u>214,271</u>	<u>71,400</u>	-	<u>2,219,580</u>
Depreciable assets – net	<u>1,425,983</u>	<u>(209,648)</u>	-	-	<u>1,216,335</u>
Total solid waste management fund capital assets – net	<u>1,911,355</u>	<u>(175,921)</u>	-	-	<u>1,735,434</u>
Total business-type activities capital assets –net	<u>\$19,346,897</u>	<u>\$ 650,392</u>	<u>\$ -</u>	<u>\$ (23,167)</u>	<u>\$19,974,122</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Depreciation was charged to functions/programs of the business-type activities as follows:

Utility	\$ 666,183
Solid Waste Management	<u>214,271</u>
	<u>\$ 880,454</u>

CONSTRUCTION COMMITMENTS

The County has active construction projects as of June 30, 2004 as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Westward Water Distribution	\$ 627,528	\$ 400,521
Stockyard Road Sewer	697,964	146,871
Group B Water Projects	365,295	181,143
North Chatham Hydraulic	<u>104,500</u>	<u>79,100</u>
	<u>\$ 1,795,287</u>	<u>\$ 807,635</u>

The projects are being funded with Federal and State grant monies and loans to be received.

Discretely presented component unit

Activity for the Chatham County ABC Board for the year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
Depreciable assets:				
Leasehold improvements	\$ 11,527	\$ -	\$ -	\$ 11,527
Equipment and fixtures	<u>85,529</u>	<u>1,800</u>	<u>1,182</u>	<u>86,147</u>
	97,056	1,800	1,182	97,674
Less accumulated depreciation	<u>49,329</u>	<u>10,007</u>	<u>1,182</u>	<u>58,154</u>
	<u>\$ 47,727</u>	<u>\$ (8,207)</u>	<u>\$ -</u>	<u>\$ 39,520</u>

NOTE 5 - PAYABLES

Payables at the government-wide level at June 30, 2004 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 818,922	\$ 657,353	\$ 161,701	\$ 122,442	\$ 1,760,418
Other governmental	<u>317,367</u>	<u>608</u>	<u>-</u>	<u>-</u>	<u>317,975</u>
Total governmental activities	<u>\$ 1,136,289</u>	<u>\$ 657,961</u>	<u>\$ 161,701</u>	<u>\$ 122,442</u>	<u>\$ 2,078,393</u>
Business-type activities:					
Utility	\$ 302,064	\$ 33,750	\$ -	\$ -	\$ 335,814
Solid waste management	<u>84,502</u>	<u>24,566</u>	<u>-</u>	<u>-</u>	<u>109,068</u>
Total business-type activities	<u>\$ 386,566</u>	<u>\$ 58,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,882</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 6 - OPERATING LEASES

The County leases certain telecommunications equipment under a noncancelable operating lease. Lease expense charged to operations totaled \$40,483 for the year ended June 30, 2004. Future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2005	\$ 39,276
2006	<u>29,457</u>
	<u>\$ 68,733</u>

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 \$926. Both rental rates are adjusted annually based on the Consumer Price Index. The annual rent for the Governor's Village property is \$14,760 for year one, \$15,360 for year two and \$15,960 for year three. The agreement for the Chapel Hill facility expires in March 2006, the lease agreement for the Moncure facility expires in October 2005 and the lease agreement for the Governor's Village facility expires in April 2007. The minimum future lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2005	\$ 46,850
2006	34,663
2007	<u>13,300</u>
	<u>\$ 94,813</u>

NOTE 7 – LONG-TERM DEBT

Long-term debt obligations of the County at June 30, 2004 consist of the following:

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>General Obligation Bonds</u>		
School bonds – issued October 1, 1996; interest at 5.40%; due serially to 2006	\$ 1,000,000	\$ -
School bonds – issued October 1, 1996; interest at 4.70%, To 5.25%; due serially to 2011	3,165,000	-
Refunding bonds, Series 2001 – issued September 1, 2001; interest at 3.00% to 4.25%; due serially to 2012	6,380,000	-
Refunding bonds, Series 2004 – issued April 6, 2004; interest at 2.25% to 4.00%; due serially to 2016	10,305,000	-
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	<u>441,648</u>	<u>-</u>
Total general obligation bonds	<u>21,291,648</u>	<u>-</u>

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

	Serviced by	
	Governmental Activities	Business-type Activities
<u>Other Long-Term General Obligations</u>		
Private placement loan with a financial institution; due in various semi-annual installments including interest at 4.51%; maturing in December 2004; collateralized by property and equipment	\$ 120,000	\$ -
Capital lease to acquire computer equipment; payable annually including interest at 2.99%; expiration date of June 2006 collateralized by computer equipment	26,636	-
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	-	1,190,000
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 2020	-	284,516
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 2021	-	145,160
Total other long-term obligations	<u>146,636</u>	<u>1,619,676</u>
Total outstanding	21,438,284	1,619,676
Less current portion	(2,091,510)	137,284
Add bond premium	235,010	-
Less refunding charges	<u>(858,060)</u>	<u>-</u>
	<u>\$18,723,724</u>	<u>\$1,482,392</u>

Changes in long-term debt

The following is a summary of changes in the County's long-term debt for the year ended June 30, 2004:

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds	\$22,307,341	\$10,305,000	\$11,320,693	\$21,291,648	\$ 1,944,874
Other long-term obligations	<u>426,845</u>	<u>-</u>	<u>280,209</u>	<u>146,636</u>	<u>146,636</u>
	22,734,186	10,305,000	11,600,902	21,438,284	2,091,510
Deferred amounts:					
Add bond premium	-	235,010	-	235,010	-
Less refunding charges	-	(876,316)	(18,256)	(858,060)	-
Compensated absences	<u>849,469</u>	<u>797,761</u>	<u>711,343</u>	<u>935,887</u>	<u>711,343</u>
	<u>\$23,583,655</u>	<u>\$10,461,455</u>	<u>\$12,293,989</u>	<u>\$21,751,121</u>	<u>\$ 2,802,853</u>
Business-type activities:					
Other long-term obligations	\$ 2,085,176	\$ 145,160	\$ 610,660	\$ 1,619,676	\$ 137,284
Compensated absences	<u>42,807</u>	<u>48,872</u>	<u>43,067</u>	<u>48,612</u>	<u>37,185</u>
	<u>\$ 2,127,983</u>	<u>\$ 194,032</u>	<u>\$ 653,727</u>	<u>\$ 1,668,288</u>	<u>\$ 174,469</u>

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2004, including interest, are as follows:

	<u>General Obligation Bonds</u>		<u>Other long-term obligations</u>		<u>Total debt due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental activities:						
2005	\$ 1,944,874	\$ 783,618	\$ 146,636	\$ 3,047	\$ 2,091,510	\$ 786,665
2006	1,919,874	701,431	-	-	1,919,874	701,431
2007	1,904,874	620,580	-	-	1,904,874	620,580
2008	1,864,874	555,542	-	-	1,864,874	555,542
2009	1,829,874	491,388	-	-	1,829,874	491,388
2010-2014	8,859,370	1,469,812	-	-	8,859,370	1,469,812
2015-2019	<u>2,967,908</u>	<u>167,000</u>	-	-	<u>2,967,908</u>	<u>167,000</u>
	<u>\$21,291,648</u>	<u>\$4,789,371</u>	<u>\$ 146,636</u>	<u>\$ 3,047</u>	<u>\$21,438,284</u>	<u>\$4,792,418</u>
Business-type activities:						
2005	\$ -	\$ -	\$ 137,284	\$ 70,276	\$ 137,284	\$ 70,276
2006	-	-	138,121	63,229	138,121	63,229
2007	-	-	138,317	56,822	138,317	56,822
2008	-	-	138,518	50,410	138,518	50,410
2009	-	-	138,726	43,992	138,726	43,992
2010-2014	-	-	696,946	123,479	696,946	123,479
2015-2019	-	-	193,071	17,139	193,071	17,139
2020-2022	-	-	<u>38,693</u>	<u>1,336</u>	<u>38,693</u>	<u>1,336</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619,676</u>	<u>\$ 426,683</u>	<u>\$ 1,619,676</u>	<u>\$ 426,683</u>

At June 30, 2004, the County of Chatham had a legal debt margin of \$364,379,120.

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 defeased 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 the current year's amortization of \$18,257, is reported in the accompanying financial statements as a deduction from bonds payable and 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 the current period and are being amortized on the straight line method over the life of the new debt. The County completed the advance refunding to reduce its total debt service payments over the next 12 years by \$855,600 and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$718,515.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 8 – 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. Conduit debt in the amount of \$2,900,000 was outstanding at June 30, 2004.

NOTE 9 – DEFERRED/UNEARNED REVENUES

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 365,821
Prepaid taxes not yet earned (Special Revenue)	-	28,051
Taxes receivable, net (General)	1,491,884	-
Taxes receivable, net (Special Revenue)	104,895	-
Health department fees receivable, net (General)	<u>17,593</u>	<u>-</u>
	<u>\$ 1,614,372</u>	<u>\$ 393,872</u>

NOTE 10 – PENSION PLAN OBLIGATIONS

Local Governmental Employees' Retirement System

Plan Description

The County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local 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.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

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 4.80% and 4.64%, 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, 2004, 2003, and 2002 were \$568,627, \$544,913 and \$521,075, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$6,744, \$5,499 and \$4,246 respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

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.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to but not yet receiving benefits	5
Active plan members	<u>56</u>
Total	<u>61</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 debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments 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.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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 cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$52,655, or 2.3% 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.

The annual required contribution for the current year was determined as part of the December 31, 2002 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 5.9% to 9.8% per year. Item (b) includes 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 dollar amount on a closed basis. The remaining amortization period at December 31, 2002 was 27 years.

Annual Pension Cost and Net Pension Obligation

The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ (40,811)
Interest on net pension obligation	5,050
Adjustment to annual required contribution	<u>(3,821)</u>
Annual pension cost	(39,582)
Contributions made	<u>50,000</u>
Increase in net pension obligation	10,418
Net pension asset, beginning of year	<u>65,428</u>
Net pension asset, end of year	<u>\$ 75,846</u>

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information related to analysis of funding progress, revenues by source, and expenses by type are presented for as many years as the standardized measure of pension benefit obligation is available.

3 Year Trend Information

Fiscal year <u>ended</u>	Annual pension <u>costs (APC)</u>	Percentage of <u>APC contributed</u>	Net pension asset <u>end of year</u>
6/30/02	\$ 28,866	71.96%	\$ 56,769
6/30/03	33,759	125.65%	\$ 65,428
6/30/04	39,582	122.52%	\$ 75,846

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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.

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, 2004 were \$110,394, which consisted of \$91,280 from the County and \$19,114 from the law enforcement officers.

Supplemental Retirement Income Plan of North Carolina

Plan Description

The County contributes to the Supplemental Retirement Income Plan of North Carolina (Plan), a defined contribution pension plan administered by Branch Banking and Trust Company as appointed by the Trustees of the Teachers and State Employees Retirement Plan and the Retirement Systems Division of the Department of State Treasurer. The Plan was created in accordance with Internal Revenue Code Section 401(k). The Plan provides retirement benefits to all employees who work more than 24 hours of each week and who are not already receiving supplemental retirement benefits. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings.

Funding Policy

The County contributes each month an amount equal to 5.0 percent of each employee's salary and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2004 were \$604,010, which consisted of \$442,056 from the County and \$161,954 from the employees.

Deferred Compensation Plan

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 non law enforcement County employees, 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. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$21,878.

Post-employment Benefits

The County has elected to provide death benefits to employees through 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 his/her death, but the benefit may not exceed \$20,000. 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 percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the State for death benefits of \$12,379. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.10% 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.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 11 – 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:

	Law Enforcement Employees' Pension Trust Fund	Employees' Medical and Child Care Trust Fund	Total
Assets:			
Cash, cash equivalents and investments	\$ 250,444	\$ 8,809	\$ 259,253
Other receivables	<u>570</u>	<u>-</u>	<u>570</u>
Total assets	<u>\$ 251,014</u>	<u>\$ 8,809</u>	<u>\$ 259,823</u>
Liabilities:			
Accounts payable and other accrued liabilities	\$ 98	\$ -	\$ 98
Net assets:			
Assets held in trust for employees' pension benefits	250,916	-	250,916
Assets held in trust for employees' medical and child care benefits	<u>-</u>	<u>8,809</u>	<u>8,809</u>
Total net assets	<u>\$ 250,916</u>	<u>\$ 8,809</u>	<u>\$ 259,725</u>

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

	Law Enforcement Employees' Pension Trust Fund	Employees' Medical and Child Care Trust Fund	Total
Additions:			
Employer on-behalf payments	\$ 50,000	\$ -	\$ 50,000
Employee contributions	-	4,045	4,045
Investment earnings	<u>3,225</u>	<u>5</u>	<u>3,230</u>
Total additions	53,225	4,050	57,275
Deductions:			
Benefit payments	<u>47,899</u>	<u>1,791</u>	<u>49,690</u>
Net change in assets	5,326	2,259	7,585
Net assets, beginning of year	<u>245,590</u>	<u>6,550</u>	<u>252,140</u>
Net assets, end of year	<u>\$ 250,916</u>	<u>\$ 8,809</u>	<u>\$ 259,725</u>

The two trust funds do not issue financial statements.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 12 - 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 \$24,465,004. General liability coverage is \$2,000,000 per occurrence, with a \$6,000,000 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 workmen's compensation coverage, and purchases reinsurance with a \$300,000 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 \$50,000 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 ABC Board has property, general liability, liquor legal liability, workmen's 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.

NOTE 13 - 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 unprocessed health claims incurred prior to June 30, 2004 amounting to approximately \$55,000 at June 30, 2004. These claims, if approved, will be paid through the Self-Insurance Internal Service Fund.

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.

NOTE 14 - CLAIMS AND JUDGMENTS

The County is a defendant to various lawsuits. 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 or the County carries sufficient liability insurance to cover such claims.

Also, a taxpayer within the County filed a refund claim for approximately \$990,000 in ad valorem taxes. The County's Board of Commissioners denied the claim. The taxpayer has, subsequently, appealed the denial to the North Carolina Property Tax Commission. The County's management and the County's attorney believe that the claim is without merit and are vigorously contesting the refund claim.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

As indicated in Note 12, the County self-insures for workmen’s compensation coverage and for employee health coverage. The County has recorded a liability in its Self-Insurance Internal Service Fund for estimated unfilled 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, July 1, 2002	\$ 136,000
Additions	1,562,161
Benefits paid	<u>(1,567,161)</u>
Accrued claims and judgments, June 30, 2003	\$ 131,000
Additions	1,990,511
Benefits paid	<u>(1,958,511)</u>
Accrued claims and judgments, June 30, 2004	<u>\$ 163,000</u>

NOTE 15 - LANDFILL POSTCLOSURE COSTS

The County closed its landfill facility in October 1993 and placed a cover on the site. However, the County is required to perform semi-annual monitoring functions at the site. Costs that relate to monitoring activities are expensed as incurred. Postclosure costs for the fiscal year ended June 30, 2004 were approximately \$4,725.

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 requires the County to purchase land adjacent to the site as a buffer zone. During the fiscal year ended June 30, 2004, the County acquired land for the buffer zone at a cost of \$33,727. Future postclosure costs will be expensed as incurred.

NOTE 16 – INTERFUND BALANCES AND ACTIVITY

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2004, consist of the following:

From the General Fund to the Enhanced 911 Fund to accumulate resources to improve the County’s enhanced 911 system	\$ (88,836)
From the General Fund to the Personnel Savings Fund to accumulate resources to offset the future cost of the County’s pay-for-performance merit system	(472,403)
From the General Fund to the Economic and Community Development Fund to provide resources for the local match for a Federal grant	(43,811)
From the General Fund to the Southwest Chatham Park Fund to accumulate resources for capital projects expenditures	(250,000)
From the General Fund to the Utility Fund to supplement utility operations	(500,000)

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

From the Revaluation Fund to the General Fund to provide resources for expenditures incurred for the octennial revaluation of real property	20,000
From the Equipment Capital Reserve Fund to the General Fund to provide resources for capital outlay expenditures	37,377
From the Industrial Reserve to the General Fund to provide resources for capital outlay expenditures	10,000
From the Forfeited Property Fund to the General Fund to provide resources for law enforcement activities	20,531
From the Impact Fees Fund to the General Fund to provide resources to make principal and interest payments on school bonds	<u>158,299</u>
General Fund transfers, net	<u>(1,108,843)</u>
From the Industrial Reserve to the Economic and Community Development Fund to provide resources for the local match for a Federal grant	<u>20,753</u>
From the Utility Fund to the Water Capital Projects Fund to provide resources for water plant modifications	(58,868)
From the Utility Fund to the Water Vehicle Reserve Fund to provide resources for future vehicle acquisitions	<u>(50,246)</u>
Utility Fund transfers, net	<u>(109,114)</u>
From the Water Capital Reserve Fund to the Water Capital Projects Fund for various capital projects	<u>1,883,538</u>
From the Solid Waste Capital Reserve to the Solid Waste Management Fund to provide resources for capital outlay	<u>41,250</u>
	<u>\$ 727,584</u>

NOTE 17 – CORRECTION OF ERROR/CHANGE OF ACCOUNTING PRINCIPAL

During the fiscal year ended June 30, 2004 the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the State on or around September 15, 2004.

In accordance with GASB Statement No. 33, these items are considered to be revenues as of June 30, 2004. The County has decided to consider revenues available for payment of current year-end liabilities if collected within 90 days after year-end, other than property taxes. The County had previously considered only revenues collected with 60 days of year-end as available. See Note 1.

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, ending fund balance of the General Fund would have been \$17,342,273, which is \$520,790 higher than was previously reported. The beginning fund balance of the General Fund for the 2004 fiscal year has been restated to that amount.

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

The County implemented GASB Statement No. 34 during the 2003 fiscal year. It requires capital assets used in governmental activities to be capitalized and depreciated over their useful lives. At June 30, 2003, buildings used in governmental activities were reported on the Statement of Net Assets at a cost of \$10,863,243, net of accumulated depreciation of \$770,307. During the fiscal year ended June 30, 2004, it was discovered that the computer software that was used to calculate depreciation on buildings was using an incorrect formula for the calculation. As a result, the accumulated depreciation for buildings used for governmental activities was under reported by \$3,542,725. The correct accumulated depreciation for buildings should have been reported as \$4,313,032 at June 30, 2004.

Also, the County did not report accrued interest receivable on property taxes at June 30, 2003 due to the inability of the County's computer software to accumulate the required information. If the accrued interest receivable had been reported at June 30, 2003, net assets for governmental activities would have been increased \$211,550.

In addition, an accrual for unfiled insurance claims has been provided in the Self-Insurance Internal Service Fund. The result of adding this additional liability is to decrease net assets of the governmental activities by \$131,000.

In addition, the allocation of the Self-Insurance Internal Service Fund to the governmental and business-type activities as of June 30, 2003 was incorrectly calculated. The result of correcting the calculations is to increase the net assets of the governmental activities and to decrease the net activities of the business-type activities by \$88,200.

The net result of the above adjustments was to overstate net assets for governmental activities by \$2,853,184, to overstate net assets for business-type activities by \$88,201 and to understate fund balance for the General Fund by \$520,790. The beginning net assets for governmental and business-type activities and beginning fund balance for the General Fund have been restated to reflect these adjustments.

The following is a summary of the prior period adjustments:

	<u>Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fund Balance- General Fund</u>
June 30, 2003, as originally stated	\$ 15,602,360	\$ 21,004,746	\$ 16,821,483
Prior period adjustments:			
Change in accounting principle - revenue recognition for local option sales tax	520,790	-	520,790
Correction of error – accumulated depreciation on buildings	(3,542,725)	-	-
Correction of error – accrued interest receivable on property taxes	211,550	-	-
Correction of error – claims and judgments	(131,000)	-	-
Correction of error – allocation of Self-Insurance Internal Service Fund	88,201	(88,201)	-
June 30, 2003, as restated	<u>\$ 12,749,176</u>	<u>\$ 20,916,545</u>	<u>\$ 17,342,273</u>

COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 18 – 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 these organizations does not extend beyond making these appointments. There were no appropriations to the Chatham County Housing Authority for the year ended June 30, 2004.

NOTE 19 - JOINT VENTURES

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

The County, in conjunction with Orange County and Person County, provides mental health and substance abuse services. The Authority is not self supporting and relies on the three counties for financial assistance. Chatham County's board appoints one member to the Authority's board. Appropriations by the County to the Authority were \$379,635 for the year ended June 30, 2004.

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

Central Carolina Community College Board of Trustees (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 the 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, along with the other joint ventures, 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. 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 \$361,372 to the Community College for operating purposes during the fiscal year ended June 30, 2004. 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, 2004. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 1105 Kelly Drive, Sanford, North Carolina 27330.

Chatham County Economic Development Corporation

The County, in conjunction with the Towns of Pittsboro, Siler City and Goldston, participates in the Chatham County Economic Development Corporation. The Economic Development 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 \$164,545 to the Corporation during the fiscal year ended June 30, 2004. 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, 2003. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 12 East Street, Pittsboro, North Carolina 27312.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004**

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

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 \$53,255 to the Council during the fiscal year ended June 30, 2004.

NOTE 21 - ADDITIONAL SUPPORT BY OTHERS

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 this additional aid to County recipients which do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Adoption Assistance	\$ 120,171	\$ 70,696
Medicaid	21,531,485	9,428,678
Temporary Assistance for Needy Families	400,326	(285)
Food Stamp Program	2,518,953	-
Foster Care	123,238	96,373
State/County Special Assistance for Adults	-	379,937
Low – Income Home Energy Assistance	<u>69,582</u>	<u>-</u>
Total	<u>\$ 24,763,755</u>	<u>\$ 9,975,399</u>

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.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

**COUNTY OF CHATHAM, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
12/31/03	\$ 221,643	\$ 386,219	\$ 164,576	57.39%	\$ 1,725,446	9.54%
12/31/02	240,128	463,720	223,592	51.78%	1,676,160	13.34%
12/31/01	232,426	361,955	129,529	64.21%	1,700,692	7.62%
12/31/00*	223,475	328,760	105,285	67.98%	1,510,164	6.97%
12/31/99	210,348	213,251	2,903	98.64%	1,391,192	0.21%
12/31/98	195,573	192,466	(3,107)	101.61%	1,306,605	(0.24%)
12/31/97	160,664	188,196	27,532	85.37%	1,180,528	2.33%
12/31/96	139,396	168,295	28,899	82.83%	1,125,290	2.57%
12/31/95	143,771	158,630	14,859	90.63%	1,033,073	1.44%
12/31/94	144,962	151,508	6,546	95.68%	912,195	0.72%

* Reflects changes in actuarial assumptions

**COUNTY OF CHATHAM, NORTH CAROLINA
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE -
 REQUIRED SUPPLEMENTAL INFORMATION -
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended <u>June 30</u>	Annual Required <u>Contributions</u>	Percentage <u>Contributed</u>
2004	\$ 40,811	122.52%
2003	34,825	121.80%
2002	30,154	68.88%
2001	16,074	93.32%
2000	14,369	104.39%
1999	16,372	91.62%
1998	15,273	98.21%
1997	14,921	67.00%
1996	12,190	0.00%
1995	9,760	51.20%
1994	8,469	0.00%

Notes to the Required Schedules:

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

Valuation date	December 31, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay closed
Remaining amortization period	27 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.9% to 9.8%
Includes inflation at	3.75%
Cost of living adjustments	N/A

***Combining and Individual Fund
Statements and Schedules***

Major Governmental Funds

General Fund

The general fund accounts for resources traditionally associated with government that are not required to be accounted for in other funds.

Special Revenue Fund

Impact Fees Fund

The impact fees fund accounts 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.

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Ad valorem taxes:				
Current year	\$ 30,391,312	\$ 30,391,312	\$ 30,402,184	\$ 10,872
Prior years	575,000	575,000	779,182	204,182
Penalties, interest and advertising costs	143,500	143,500	207,892	64,392
	<u>31,109,812</u>	<u>31,109,812</u>	<u>31,389,258</u>	<u>279,446</u>
Local option sales tax:				
Article 39 - 1 percent	2,707,869	2,707,869	2,997,767	289,898
Article 40 - 1/2 percent	2,187,650	2,187,650	2,180,393	(7,257)
Article 42 - 1/2 percent	2,172,551	2,172,551	2,166,831	(5,720)
Article 44 - 1/2 percent	1,582,131	1,582,131	1,639,046	56,915
	<u>8,650,201</u>	<u>8,650,201</u>	<u>8,984,037</u>	<u>333,836</u>
Other taxes and licenses:				
Deed stamp excise tax	331,000	331,000	373,335	42,335
Occupancy tax	87,418	87,418	78,792	(8,626)
Rental vehicles	5,000	5,000	4,228	(772)
Cable TV franchise	85,000	85,000	98,605	13,605
	<u>508,418</u>	<u>508,418</u>	<u>554,960</u>	<u>46,542</u>
Unrestricted intergovernmental:				
Payments in lieu of taxes	33,000	33,000	54,189	21,189
ABC profit distribution	14,000	14,000	20,000	6,000
Beer and wine excise tax	-	-	182,535	182,535
State hold-harmless	-	-	32,185	32,185
Other	65,000	65,000	41,261	(23,739)
	<u>112,000</u>	<u>112,000</u>	<u>330,170</u>	<u>218,170</u>
Restricted intergovernmental:				
State and federal grants	4,830,758	6,749,605	7,370,823	621,218
Other	189,883	209,925	198,356	(11,569)
	<u>5,020,641</u>	<u>6,959,530</u>	<u>7,569,179</u>	<u>609,649</u>
Permits and fees:				
Inspection fees	700,000	700,000	1,049,592	349,592
Register of deeds fees	365,000	369,787	486,176	116,389
Concealed weapon permits	2,000	2,000	4,900	2,900
Beer and wine permits	700	700	2,320	1,620
Other	-	-	5,015	5,015
	<u>1,067,700</u>	<u>1,072,487</u>	<u>1,548,003</u>	<u>475,516</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES: (Continued)				
Sales and services:				
Collection fees - tax	\$ 120,000	\$ 120,000	\$ 124,623	\$ 4,623
Fire inspection fees	32,000	32,000	55,162	23,162
Sheriff	9,400	9,400	24,821	15,421
Social services	20,000	20,000	90,763	70,763
Planning fees	65,000	65,000	117,993	52,993
Health	1,016,056	1,028,406	970,892	(57,514)
Library	17,500	17,500	24,932	7,432
Recreation	30,600	30,600	33,067	2,467
Charges to other funds	118,088	118,088	118,088	-
Other	19,000	19,000	35,270	16,270
	<u>1,447,644</u>	<u>1,459,994</u>	<u>1,595,611</u>	<u>135,617</u>
Investment earnings:				
Interest on investments	<u>155,000</u>	<u>155,000</u>	<u>194,234</u>	<u>39,234</u>
Other general revenues:				
Rent	44,922	44,922	47,345	2,423
Other	-	-	20,835	20,835
	<u>44,922</u>	<u>44,922</u>	<u>68,180</u>	<u>23,258</u>
Total revenues	<u>48,116,338</u>	<u>50,072,364</u>	<u>52,233,632</u>	<u>2,161,268</u>
EXPENDITURES:				
General government:				
Governing body:				
Salaries and employee benefits	211,050	211,077	209,844	1,233
Other operating expenditures	61,839	102,567	92,254	10,313
Capital outlay	1,000	1,000	-	1,000
	<u>273,889</u>	<u>314,644</u>	<u>302,098</u>	<u>12,546</u>
County manager:				
Salaries and employee benefits	437,571	428,715	367,548	61,167
Other operating expenditures	56,378	52,757	33,289	19,468
Capital outlay	-	2,700	2,675	25
	<u>493,949</u>	<u>484,172</u>	<u>403,512</u>	<u>80,660</u>
General services:				
Salaries and benefits	(225,000)	(225,000)	-	(225,000)
Other operating expenditures	61,551	90,133	47,255	42,878
Capital outlay	-	103	103	-
	<u>(163,449)</u>	<u>(134,764)</u>	<u>47,358</u>	<u>(182,122)</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
General government: (Continued)				
Elections:				
Salaries and employee benefits	\$ 122,439	\$ 122,439	\$ 104,485	\$ 17,954
Other operating expenditures	72,621	72,621	39,937	32,684
	<u>195,060</u>	<u>195,060</u>	<u>144,422</u>	<u>50,638</u>
Finance:				
Salaries and employee benefits	398,874	398,874	399,038	(164)
Other operating expenditures	101,543	113,313	112,110	1,203
	<u>500,417</u>	<u>512,187</u>	<u>511,148</u>	<u>1,039</u>
Information Services:				
Salaries and employee benefits	336,160	336,160	330,863	5,297
Other operating expenditures	150,932	150,932	114,716	36,216
Capital outlay	30,000	30,000	29,597	403
	<u>517,092</u>	<u>517,092</u>	<u>475,176</u>	<u>41,916</u>
Tax Administration:				
Salaries and employee benefits	379,407	379,407	372,666	6,741
Other operating expenditures	201,880	201,880	166,977	34,903
	<u>581,287</u>	<u>581,287</u>	<u>539,643</u>	<u>41,644</u>
GIS:				
Salaries and employee benefits	86,527	86,527	86,554	(27)
Other operating expenditures	7,393	7,393	4,238	3,155
	<u>93,920</u>	<u>93,920</u>	<u>90,792</u>	<u>3,128</u>
Revaluation:				
Salaries and employee benefits	183,235	187,165	184,934	2,231
Other operating expenditures	49,225	74,725	72,745	1,980
Capital outlay	1,500	11,866	11,866	-
	<u>233,960</u>	<u>273,756</u>	<u>269,545</u>	<u>4,211</u>
Legal:				
Other operating expenditures:				
Legal services - retainer	36,000	36,000	36,000	-
Other	1,250	1,250	-	1,250
	<u>37,250</u>	<u>37,250</u>	<u>36,000</u>	<u>1,250</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
General government: (Continued)				
Register of deeds:				
Salaries and employee benefits	\$ 278,304	\$ 281,004	\$ 277,026	\$ 3,978
Other operating expenditures	119,908	159,681	145,668	14,013
	<u>398,212</u>	<u>440,685</u>	<u>422,694</u>	<u>17,991</u>
Buildings and grounds:				
Salaries and employee benefits	284,979	303,479	289,118	14,361
Other operating expenditures	477,594	475,552	434,548	41,004
	<u>762,573</u>	<u>779,031</u>	<u>723,666</u>	<u>55,365</u>
Court related expenses:				
Operating expenditures	43,853	44,553	44,524	29
Garage:				
Salaries and employee benefits	81,781	82,077	82,099	(22)
Operating expenditures	24,239	17,913	13,287	4,626
Capital outlay	-	13,940	10,650	3,290
	<u>106,020</u>	<u>113,930</u>	<u>106,036</u>	<u>7,894</u>
Total general government	<u>4,074,033</u>	<u>4,252,803</u>	<u>4,116,614</u>	<u>136,189</u>
Public safety:				
Sheriff:				
Salaries and employee benefits	2,681,067	2,692,932	2,640,799	52,133
Other operating expenditures	400,882	455,759	435,939	19,820
Capital outlay	102,260	150,193	148,247	1,946
	<u>3,184,209</u>	<u>3,298,884</u>	<u>3,224,985</u>	<u>73,899</u>
Telecommunications:				
Salaries and employee benefits	570,349	576,158	574,668	1,490
Other operating expenditures	101,552	97,809	77,110	20,699
Capital outlay	5,880	4,623	4,300	323
	<u>677,781</u>	<u>678,590</u>	<u>656,078</u>	<u>22,512</u>
Jail:				
Salaries and employee benefits	\$ 571,661	\$ 571,661	\$ 563,544	\$ 8,117
Other operating expenditures	194,433	239,433	232,716	6,717
	<u>766,094</u>	<u>811,094</u>	<u>796,260</u>	<u>14,834</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
Public safety: (Continued)				
Pension trust fund	50,000	50,000	50,000	-
Emergency operations:				
Salaries and employee benefits	153,744	153,784	152,236	1,548
Other operating expenditures	216,537	339,198	242,412	96,786
Capital outlay	24,800	138,913	13,367	125,546
	<u>395,081</u>	<u>631,895</u>	<u>408,015</u>	<u>223,880</u>
Inspections:				
Salaries and employee benefits	500,903	473,125	466,048	7,077
Other operating expenditures	62,166	63,216	37,080	26,136
Capital outlay	1,050	-	-	-
	<u>564,119</u>	<u>536,341</u>	<u>503,128</u>	<u>33,213</u>
Fire Inspections:				
Salaries and employee benefits	176,200	184,301	184,309	(8)
Other operating expenditures	19,192	19,157	16,625	2,532
	<u>195,392</u>	<u>203,458</u>	<u>200,934</u>	<u>2,524</u>
Emergency medical service:				
Other operating expenditures	42,377	42,377	4,783	37,594
Assistance to county rescue squads	105,600	105,600	105,600	-
Contracted services - out of county	1,257,464	1,257,464	1,257,462	2
	<u>1,405,441</u>	<u>1,405,441</u>	<u>1,367,845</u>	<u>37,596</u>
Court programs:				
Salaries and employee benefits	155,874	247,936	205,408	42,528
Other operating expenditures	199,342	269,531	246,987	22,544
	<u>355,216</u>	<u>517,467</u>	<u>452,395</u>	<u>65,072</u>
Total public safety	<u>7,593,333</u>	<u>8,133,170</u>	<u>7,659,640</u>	<u>473,530</u>
Economic and physical development:				
Planning:				
Salaries and employee benefits	179,139	225,855	221,303	4,552
Other operating expenditures	18,543	20,940	17,953	2,987
	<u>197,682</u>	<u>246,795</u>	<u>239,256</u>	<u>7,539</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
Economic and physical development: (Continued)				
Central permitting:				
Salaries and employee benefits	\$ 143,487	\$ 133,052	\$ 133,089	\$ (37)
Other operating expenditures	33,611	26,001	19,432	6,569
	<u>177,098</u>	<u>159,053</u>	<u>152,521</u>	<u>6,532</u>
Economic development:				
Other operating expenditures	<u>164,746</u>	<u>174,746</u>	<u>169,923</u>	<u>4,823</u>
County extension:				
Salaries and employee benefits	12,918	12,918	9,620	3,298
Other operating expenditures	249,300	247,894	209,710	38,184
Capital outlay	7,100	8,506	8,471	35
	<u>269,318</u>	<u>269,318</u>	<u>227,801</u>	<u>41,517</u>
Soil and water conservation:				
Salaries and employee benefits	150,825	150,851	150,929	(78)
Other operating expenditures	15,881	15,855	11,287	4,568
	<u>166,706</u>	<u>166,706</u>	<u>162,216</u>	<u>4,490</u>
Travel and tourism:				
Salaries and employee benefits	58,261	58,539	58,561	(22)
Other operating expenditures	29,205	29,677	27,266	2,411
	<u>87,466</u>	<u>88,216</u>	<u>85,827</u>	<u>2,389</u>
Total economic and physical development	<u>1,063,016</u>	<u>1,104,834</u>	<u>1,037,544</u>	<u>67,290</u>
Human services:				
Health:				
Salaries and employee benefits	3,715,309	3,713,379	3,408,459	304,920
Other operating expenditures	723,613	1,116,439	906,775	209,664
Capital outlay	-	28,842	28,122	720
	<u>4,438,922</u>	<u>4,858,660</u>	<u>4,343,356</u>	<u>515,304</u>
Mental health:				
Mental health appropriation	379,635	379,635	379,635	-
Other expenditures	137,627	141,627	140,773	854
	<u>517,262</u>	<u>521,262</u>	<u>520,408</u>	<u>854</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
Human services: (Continued)				
Council on Aging:				
Salaries and employee benefits	116,213	116,413	116,418	(5)
Other operating expenditures	852	852	826	26
Council on Aging - current appropriation	448,417	448,417	448,417	-
	<u>565,482</u>	<u>565,682</u>	<u>565,661</u>	<u>21</u>
Social services:				
Administration:				
Salaries and employee benefits	\$ 3,014,542	\$ 2,987,393	\$ 2,945,724	\$ 41,669
Other operating expenditures	466,687	582,484	523,787	58,697
	<u>3,481,229</u>	<u>3,569,877</u>	<u>3,469,511</u>	<u>100,366</u>
Public assistance:				
Foster Care - IV E	249,980	249,980	250,140	(160)
Special assistance to adults	390,061	390,061	381,213	8,848
Medical assistance	1,991,696	1,958,246	1,637,327	320,919
State foster home fund	410,020	406,020	424,654	(18,634)
Day care	1,772,932	1,851,540	1,784,568	66,972
Other assistance programs	382,377	418,243	405,709	12,534
	<u>5,197,066</u>	<u>5,274,090</u>	<u>4,883,611</u>	<u>390,479</u>
Total social services	<u>8,678,295</u>	<u>8,843,967</u>	<u>8,353,122</u>	<u>490,845</u>
Appropriations to nonprofit agencies:				
Appropriations	208,953	1,136,743	1,065,525	71,218
Total human services	<u>14,408,914</u>	<u>15,926,314</u>	<u>14,848,072</u>	<u>1,078,242</u>
Cultural and recreational:				
Library:				
Salaries and employee benefits	392,141	408,848	408,574	274
Other operating expenditures	298,967	316,921	286,172	30,749
	<u>691,108</u>	<u>725,769</u>	<u>694,746</u>	<u>31,023</u>
Recreation:				
Salaries and employee benefits	\$ 127,957	\$ 127,957	\$ 124,512	\$ 3,445
Other operating expenditures	160,998	160,998	132,831	28,167
	<u>288,955</u>	<u>288,955</u>	<u>257,343</u>	<u>31,612</u>
Total cultural and recreational	<u>980,063</u>	<u>1,014,724</u>	<u>952,089</u>	<u>62,635</u>

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES: (Continued)				
Education:				
Public school - current	16,708,432	16,568,432	16,568,432	-
Public school - capital outlay	-	158,299	158,299	-
Community college - current	313,172	313,172	313,172	-
Community college - arts incubator	48,200	48,200	48,200	-
Total education	17,069,804	17,088,103	17,088,103	-
Debt service:				
Public schools - principal	1,783,003	1,786,037	1,786,037	-
Public schools - interest	1,043,415	1,043,415	1,038,982	4,433
Community college - principal	34,656	34,656	34,656	-
Community college - interest	18,998	18,998	18,998	-
General building projects - principal	240,000	240,000	240,000	-
General building projects - interest	12,177	12,177	12,177	-
Capital lease - principal	56,089	56,089	40,209	15,880
Capital lease - interest	1,884	1,884	1,882	2
Bond issuance costs	-	160,000	158,669	1,331
Total debt service	3,190,222	3,353,256	3,331,610	21,646
Contingency	10,000	1,190	-	1,190
Total expenditures	48,389,385	50,874,394	49,033,672	1,840,722
REVENUES OVER (UNDER) EXPENDITURES	(273,047)	(802,030)	3,199,960	4,001,990
OTHER FINANCING SOURCES (USES):				
Transfers from (to) other funds:				
Special revenue funds:				
Revaluation	\$ -	\$ 20,000	\$ 20,000	\$ -
Equipment Capital Reserve	-	37,378	37,377	(1)
Industrial Reserve	-	10,000	10,000	-
Forfeited Property	-	20,531	20,531	-
Impact Fees	140,000	158,299	158,299	-
Enhanced 911	-	(88,836)	(88,836)	-
Personnel Savings	-	(472,403)	(472,403)	-
Emergency Vehicle Replacement	(34,218)	(34,218)	-	34,218
Economic and Community Development	-	(43,862)	(43,811)	51
Capital project funds:				
Southwest Chatham Park	(250,000)	(250,000)	(250,000)	-

(Continued)

COUNTY OF CHATHAM, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES): (Continued)				
Transfers from (to) other funds: (Continued)				
Internal service fund:				-
Self-Insurance Fund	75,265	75,265	-	(75,265)
Enterprise funds:				-
Utility Fund	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total	<u>(568,953)</u>	<u>(1,067,846)</u>	<u>(1,108,843)</u>	<u>(40,997)</u>
Debt proceeds:				
Proceeds from refunding debt:				
Par value of bonds	-	10,305,000	10,305,000	-
Reoffering premium	<u>-</u>	<u>231,317</u>	<u>235,010</u>	<u>3,693</u>
Total	<u>-</u>	<u>10,536,317</u>	<u>10,540,010</u>	<u>3,693</u>
Payment to refunded debt escrow agent	<u>-</u>	<u>(10,376,317)</u>	<u>(10,376,316)</u>	<u>1</u>
Total other financing sources (uses)	<u>(568,953)</u>	<u>(907,846)</u>	<u>(945,149)</u>	<u>(37,303)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(842,000)	(1,709,876)	2,254,811	(3,964,687)
APPROPRIATED FUND BALANCE	<u>842,000</u>	<u>1,709,876</u>	<u>-</u>	<u>(1,709,876)</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ -</u>	<u>\$ -</u>	<u>2,254,811</u>	<u>\$ 2,254,811</u>
FUND BALANCE, BEGINNING OF YEAR:				
As previously reported			16,821,483	
Change in accounting principal			<u>520,790</u>	
As restated			<u>17,342,273</u>	
FUND BALANCE, END OF YEAR			<u>\$ 19,597,084</u>	

COUNTY OF CHATHAM, NORTH CAROLINA
IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Permits and fees	\$ 982,000	\$ 982,000	\$ 1,118,000	\$ 136,000
Investment earnings	<u>16,000</u>	<u>16,000</u>	<u>45,715</u>	<u>29,715</u>
Total revenues	998,000	998,000	1,163,715	165,715
EXPENDITURES:				
Education	<u>2,839,701</u>	<u>2,839,701</u>	-	<u>2,839,701</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,841,701)	(1,841,701)	1,163,715	3,005,416
OTHER FINANCING USES:				
Transfers out:				
General Fund	<u>(158,299)</u>	<u>(158,299)</u>	<u>(158,299)</u>	-
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,000,000)	(2,000,000)	1,005,416	3,005,416
APPROPRIATED FUND BALANCE	<u>2,000,000</u>	<u>2,000,000</u>	-	<u>(2,000,000)</u>
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	1,005,416	<u>\$ 1,005,416</u>
FUND BALANCE, BEGINNING OF YEAR			<u>2,430,894</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,436,310</u>	