

*Chatham County
North Carolina*

*Comprehensive Annual
Financial Report*

For the fiscal year ended June 30, 2005

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

For the fiscal year ended June 30, 2005

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

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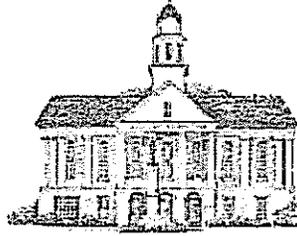
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Introductory Section

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

December 1, 2005

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, 2005, 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 government-wide activities 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 accounting principles generally accepted in the United States of America (GAAP), 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 of the primary government, 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 Board of Alcoholic Beverage Control 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 55,000 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 3.8 percent, well below the triangle rate of 4.3, the state rate of 5.3, and the national rate of 5.3. 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 26 million dollars. Overall, manufacturing employment accounts for 36 percent of the job pool; while the service accounts for 60 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 2004-05 saw the expansion and creation of 150 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 foot long and 75 foot wide 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 has made a 30-million dollar expansion by adding an Independent Living Center, Community Building, and a Health Care Center. There are several major residential developments now 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 2006-2010 are major renovations, additions and improvements to existing County facilities, new Central Carolina Community College buildings in Pittsboro and Siler City, a new library for the Pittsboro area, a judicial facility, development of the infrastructure in the County's business park located in Siler City, and the purchase of voting machines. The County is also began the construction of 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 in 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 and dental 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 9 retired employees receiving these benefits. The County accounts for the funds to finance these benefits in an internal service fund. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

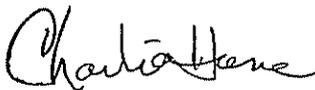
Awards and Acknowledgements

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, 2004. This was the 16th 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.

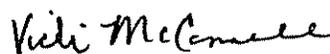
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the certificate of achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - 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, 2005*

Board of County Commissioners

<i>Bunkey Morgan</i>	<i>Chairman</i>
<i>Thomas Emerson</i>	<i>Vice Chairman</i>
<i>Patrick Barnes</i>	<i>Commissioner</i>
<i>Michael Cross</i>	<i>Commissioner</i>
<i>Carl Outz</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>Elections Director</i>
<i>Kim Horton</i>	<i>Tax Administrator</i>
<i>Jenny Williams</i>	<i>Central Permitting Director</i>
<i>Glenn Woolard</i>	<i>County Extension Director</i>
<i>Mike Sturdivant</i>	<i>District Conservationist</i>
<i>Tony Tucker</i>	<i>Emergency Operations Director</i>
<i>Donald Metcalf</i>	<i>Facilities Management Director</i>
<i>Jody Moore</i>	<i>Information Services</i>
<i>Linda Clark</i>	<i>Library Services Director</i>
<i>Keith Megginson</i>	<i>Planning Director</i>
<i>Tracy Burnett</i>	<i>Recreation Director</i>
<i>Lonnie West</i>	<i>Senior Services Director</i>
<i>John Tanner</i>	<i>Social Services Director</i>
<i>Neha Shah</i>	<i>Tourism Coordinator</i>
<i>Will Baker</i>	<i>Utilities Director</i>
<i>Robert Holden</i>	<i>Waste Management 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, 2004

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.



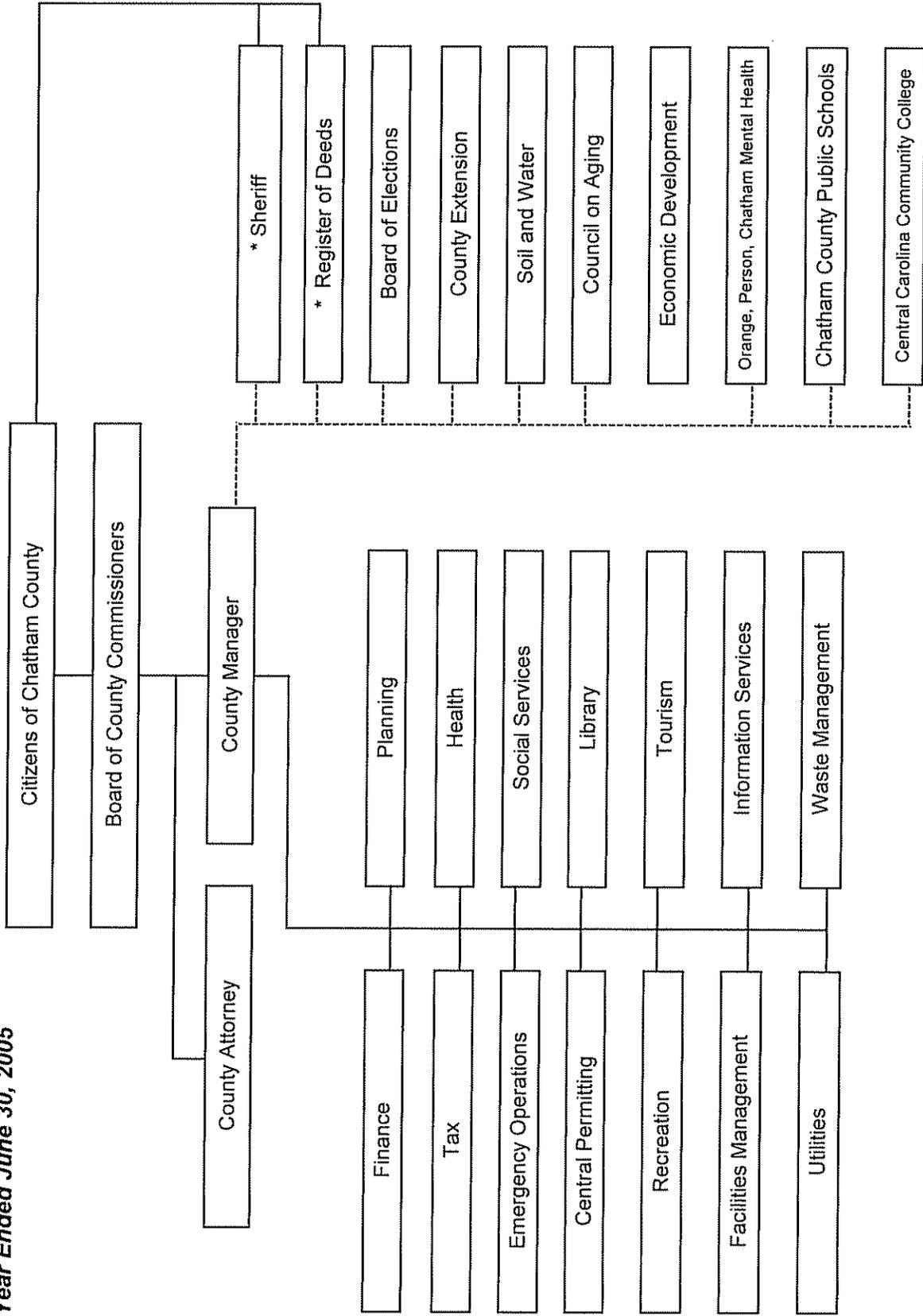
Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

**Chatham County
Organization Chart
Fiscal Year Ended June 30, 2005**



* 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 the County of Chatham, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Board of Alcoholic Beverage Control. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chatham County Board of Alcoholic Beverage Control, is based solely on the report 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. The financial statements of the Chatham County Alcoholic Beverage Control Board were not audited in accordance with *Government Auditing Standards*. 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 the County of Chatham, North Carolina as of June 30, 2005, 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 fees 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 14, 2005 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 grants 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 and employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance on pages 3 through 12 and pages 56 through 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 fund statements and schedules, 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 the State Single Audit Implementation Act, and is also not a required part of the basic financial statements of the County of Chatham, North Carolina. The combining and individual fund 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.



October 14, 2005

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, 2005. 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.

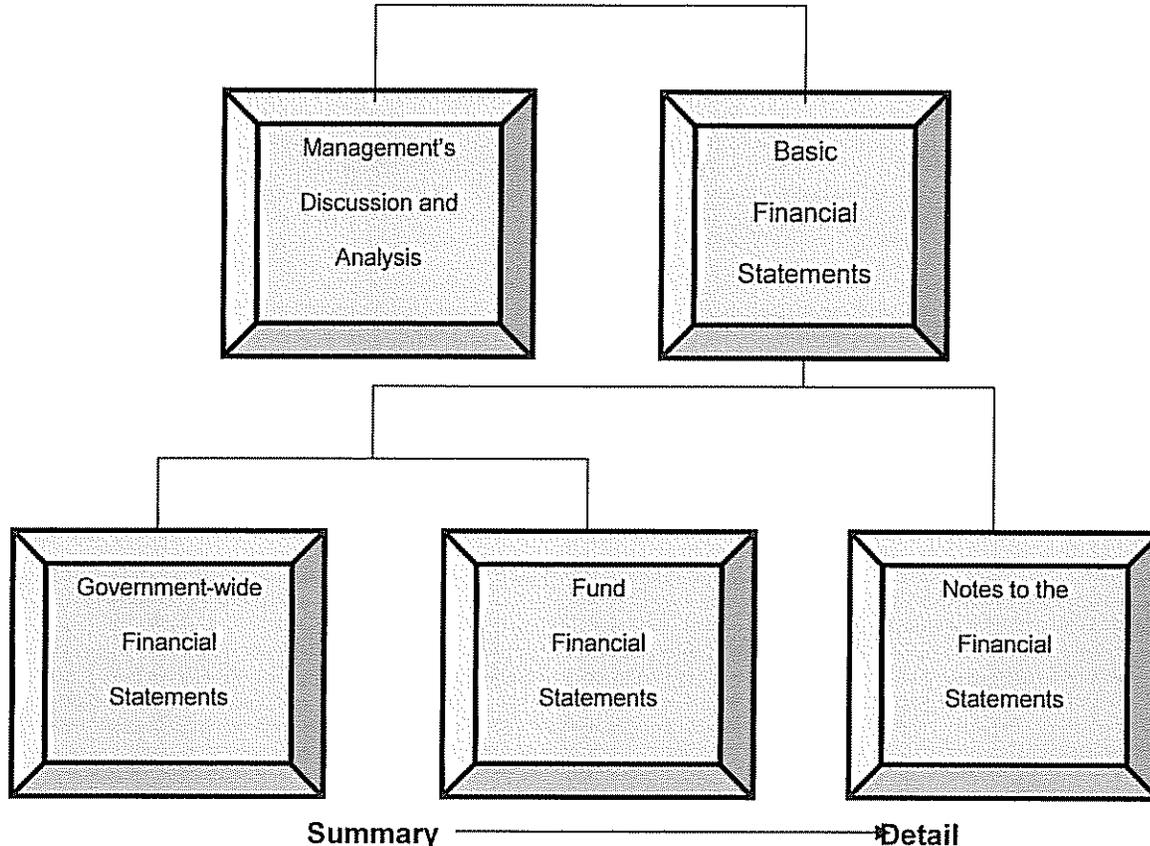
Financial Highlights

- The assets of County of Chatham exceeded its liabilities at the close of the fiscal year by \$50,566,543. The assets of the governmental activities exceeded liabilities by \$26,382,970 and the assets of the business-type activities exceeded liabilities by \$24,183,573.
- The government's total net assets increased by \$9,991,566, 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 \$31,838,303, an increase of \$4,516,668 in comparison with the prior year. Approximately 86.8 percent of this total amount, or \$27,662,843, 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 \$17,919,343, or 33.83 percent of total general fund expenditures for the fiscal year.
- County of Chatham's total debt decreased by \$1,795,083 (6.7%) during the current fiscal year.
- County of Chatham maintains an AA- rating from Standard and Poor's Corporation and an 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 13 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 Board of Alcoholic Beverage Control 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 13 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 an 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 56 and 57 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

	Governmental Activities		Business-type Activities		Totals		Amount Change	% Change
	2005	2004	2005	2004	2005	2004		
Current and other assets	\$ 37,993,924	\$ 32,350,992	\$ 5,955,430	\$ 4,348,516	\$43,949,354	\$ 36,699,508	\$ 7,249,846	19.75%
Capital assets	<u>11,147,164</u>	<u>10,589,183</u>	<u>20,362,778</u>	<u>19,974,122</u>	<u>31,509,942</u>	<u>30,563,305</u>	<u>946,637</u>	3.10
Total assets	<u>49,141,088</u>	<u>42,940,175</u>	<u>26,318,208</u>	<u>24,322,638</u>	<u>75,459,296</u>	<u>67,262,813</u>	<u>8,196,483</u>	12.19
Long-term liabilities								
outstanding	17,195,302	18,948,268	1,368,663	1,493,819	18,563,965	20,442,087	(1,878,122)	(9.19)
Other liabilities	<u>5,662,816</u>	<u>5,438,118</u>	<u>765,972</u>	<u>807,631</u>	<u>6,328,788</u>	<u>6,245,749</u>	<u>83,039</u>	1.33
Total liabilities	<u>22,758,118</u>	<u>24,386,386</u>	<u>2,134,635</u>	<u>2,301,450</u>	<u>24,892,753</u>	<u>26,687,836</u>	<u>(1,795,083)</u>	(6.73)
Net assets								
Invested in capital assets, net of related debt	11,086,348	10,442,547	18,867,796	18,354,446	29,954,144	28,796,993	1,157,151	4.02
Restricted	7,983,507	6,058,880	-	-	7,983,507	6,058,880	1,924,627	31.77
Unrestricted	<u>7,313,115</u>	<u>2,052,362</u>	<u>5,315,777</u>	<u>3,666,742</u>	<u>12,628,892</u>	<u>5,719,104</u>	<u>6,909,788</u>	120.82
Total net assets	<u>\$ 26,382,970</u>	<u>\$ 18,553,789</u>	<u>\$ 24,183,573</u>	<u>\$ 22,021,188</u>	<u>\$ 50,566,543</u>	<u>\$ 40,574,977</u>	<u>\$ 9,991,566</u>	24.62

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 \$50,566,543 as of June 30, 2005. The County's net assets increased by \$9,991,566 for the year ended June 30, 2005. One of the largest portions (59.2%) 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 (\$7,983,507 or 15.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,628,892 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 97.50%, higher than the statewide average of 95.70% 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>		
Revenues:								
Program revenues:								
Charges for services	\$ 5,131,876	\$ 4,417,230	\$ 6,757,834	\$ 5,678,557	\$ 11,889,710	\$ 10,095,787	\$ 1,793,923	17.77%
Operating grants and contributions	8,657,600	6,580,640	437,862	61,414	9,125,462	8,642,054	483,408	5.59
Capital grants and contributions	-	2,500	-	1,500	-	4,000	(4,000)	(100.00)
General revenues:								
Property taxes	35,986,789	34,055,880	-	-	35,986,789	34,055,880	1,930,909	5.67
Local option sales tax	9,759,504	8,984,037	-	-	9,759,504	8,984,037	775,467	8.63
Other taxes	701,618	837,925	-	68,837	701,618	906,762	(205,144)	(22.62)
Grants and contributions, not restricted to specific programs	293,714	330,170	-	-	293,714	330,170	(36,456)	(11.04)
Investment earnings	740,411	332,422	103,795	62,730	844,206	395,152	449,054	113.64
Other	111,440	103,251	904	26,817	112,344	130,068	(17,724)	(13.63)
Total revenues	61,382,952	57,644,055	7,330,395	5,899,855	68,813,347	63,543,910	5,169,437	8.14
Expenses:								
General government	4,636,367	4,392,196	-	-	4,636,367	4,392,196	244,171	5.56
Public safety	11,254,148	10,892,994	-	-	11,254,148	10,892,994	361,154	3.32
Economic and physical development	1,518,604	2,018,692	-	-	1,518,604	2,018,692	(500,088)	(24.77)
Human services	15,909,963	14,937,827	-	-	15,919,963	14,937,827	972,136	6.51
Cultural and recreational	1,019,276	989,648	-	-	1,019,276	989,648	29,628	2.99
Education	18,304,332	17,088,103	-	-	18,304,332	17,088,103	1,216,229	7.12
Interest on long-term debt	828,941	1,028,670	-	-	828,941	1,028,670	(199,729)	(19.42)
Utility	-	-	3,164,856	3,066,158	3,164,855	3,066,158	98,697	3.22
Solid waste management	-	-	2,085,295	2,220,366	2,085,295	2,220,366	(135,071)	(6.08)
Total expenses	53,471,631	51,348,130	5,250,150	5,286,524	58,721,781	56,634,654	2,087,127	3.69
Increase in net assets before transfers	7,911,321	6,295,925	2,080,245	613,331	9,991,566	6,909,256	3,082,310	44.61
Transfers	(82,140)	(491,312)	82,140	491,312	-	-	-	-
Increase in net assets	7,829,181	5,804,613	2,162,385	1,104,643	9,991,566	6,909,256	3,082,310	44.61
Net assets, July 1	18,553,789	12,749,176	22,021,188	20,916,545	40,574,977	33,665,721	6,909,256	20.52
Net assets, June 30	<u>\$26,382,970</u>	<u>\$18,553,789</u>	<u>\$24,183,573</u>	<u>\$22,021,188</u>	<u>\$50,566,543</u>	<u>\$40,574,977</u>	<u>\$ 9,991,566</u>	24.62

Governmental activities. Governmental activities increased the County's net assets by \$7,829,181 thereby accounting for 78.3% 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 4.6% resulting in increased property tax revenue.
- Maintenance of the County's high tax collection rate of 97.50%.
- Increase in investment earnings by 113.64% reflecting the County's sound management of increased cash resources.
- Increase in retail sales within the county resulting in an 8.63% increase in local sales tax revenues.

Business-type activities: Business-type activities increased County of Chatham's net assets by \$2,162,385, accounting for 21.6% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Increase in administrative portion of the water rates.
- Increase in the customer base.

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 \$17,919,343, while total fund balance reached \$21,862,296. 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 33.83 percent of total General Fund expenditures, while total fund balance represents 41.27 percent of that same amount.

At June 30, 2005, the governmental funds of County of Chatham reported a combined fund balance of \$31,838,303, a 16.53 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 \$2,230,664 and expenditures by \$2,369,174.

Operating revenues of the general fund were \$2.4 million more than the final budgeted amount. This increase was primarily due to increases in property tax revenue, sales tax revenue, increases in revenue received from fees collected by the inspections department and the register of deeds and an increase in investment earnings.

Efforts were made to control spending during the fiscal year resulting in expenditures lower than final appropriations. The actual expenditures within the general fund totaled \$2.8 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 \$3,452,275, and those for the Solid Waste Management Fund equaled \$1,781,740. The net assets for the Utility Fund increased \$1,834,002 and the Solid Waste Management Fund's net assets increased \$278,163 for the year ended June 30, 2005. 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, 2005, totals \$31,509,942 (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
- Completed a parking area.
- Addition of construction in progress on water distribution system

**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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>		
Non-depreciable assets:								
Land	\$ 2,916,379	\$ 2,916,379	\$ 497,772	\$ 497,772	\$ 3,414,151	\$ 3,414,151	\$ -	- %
Construction in progress	510,569	463,201	1,978,646	1,855,712	2,489,215	2,318,913	170,302	7.34
Depreciable assets:								
Buildings	6,170,675	6,110,834	3,176,010	3,481,713	9,346,685	9,592,547	(245,862)	(2.56)
Infrastructure:								
Wells and water lines	-	-	14,280,172	13,584,671	14,280,172	13,584,671	695,501	5.12
Equipment and vehicles	<u>1,549,541</u>	<u>1,098,769</u>	<u>430,178</u>	<u>554,253</u>	<u>1,979,719</u>	<u>1,653,022</u>	<u>326,697</u>	19.76
Total	<u>\$11,147,164</u>	<u>\$10,589,183</u>	<u>\$20,362,778</u>	<u>\$19,974,121</u>	<u>\$31,509,942</u>	<u>\$30,563,304</u>	<u>\$ 946,638</u>	3.10

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, 2005, County of Chatham had total bonded debt outstanding of \$19,346,774 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>		
General obligation Bonds	\$19,346,774	\$21,291,648	\$ -	\$ -	\$19,346,774	\$21,291,648	\$ (1,944,874)	9.13%
Other long-term obligations	<u>60,817</u>	<u>146,636</u>	<u>1,494,982</u>	<u>1,619,676</u>	<u>1,555,799</u>	<u>1,766,312</u>	<u>(210,513)</u>	11.92
Total	<u>\$19,407,591</u>	<u>\$21,438,284</u>	<u>\$ 1,494,982</u>	<u>\$ 1,619,676</u>	<u>\$20,902,573</u>	<u>\$23,057,960</u>	<u>\$ (2,155,387)</u>	9.35

County of Chatham's bonded debt decreased by \$1,944,874 (9.13 percent) during the past fiscal year, due to principal payments on existing debt.

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

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 \$384,506,645.

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 3.8%, lower than the state average of 5.3%

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: Chatham County's fiscal year 2006 budget reflects a balance between providing for long-term capital needs and maintaining the county's excellent financial position.

In anticipation of the capital improvements program (CIP) adopted by the Board of Commissioners, the fiscal year 2006 budget increased property taxes by four cents above the "revenue neutral" rate. These funds (\$2,352,392) were transferred to a capital reserve to fund debt service related to borrowing for capital needs. Projections show that the four-cent increase, along with school impact fees, should cover all debt service payments for the adopted CIP.

The fiscal year 2006 Budget included additional transfers of \$100,000 to a general capital reserve; \$500,000 to a vehicle replacement reserve; and \$500,000 to the utility capital reserve. These transfers will ensure the availability of funds for replacing the county's capital assets.

In order to bring Chatham County in line with surrounding counties, the fiscal year 2006 budget included a substantial investment in public safety personnel. Funded from revenue growth, eight new positions were added in the Sheriff's Office and Dispatch.

In addition, the fiscal year 2006 Budget reflects the direction of the Board of Commissioners on spending priorities, while complying with the conservative requirements of the County's adopted financial policy. Fund balance was appropriated strictly for one-time expenditures. The fund balance appropriation does not jeopardize the financial policy goal of maintaining 20 percent of expenditures in reserve. Finally, a fee structure was established to cover the costs of a new program, sedimentation and erosion control. In order to diversify revenue, the County has made a conscious effort over the past two years to make fee-based programs cover more of their costs.

Business – type Activities: The County will continue with its plans to extend major water line across the County. These extensions and upgrades are anticipated to 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, 2005

	Primary Government			Chatham County Board of Alcoholic Beverage Control
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 31,723,542	\$ 4,934,948	\$ 36,658,490	\$ 349,590
Property taxes receivables (net)	1,742,866	-	1,742,866	-
Accrued interest receivable on taxes (net)	269,205	-	269,205	-
Accounts receivable (net)	350,017	843,550	1,193,567	478
Due from other governments	3,536,595	56,724	3,593,319	-
Other receivables	221,074	38,446	259,520	-
Internal balances	(81,762)	81,762	-	-
Inventories	-	-	-	201,823
Net pension asset	90,288	-	90,288	-
Prepaid expenses	-	-	-	12,057
Total current assets	<u>37,851,825</u>	<u>5,955,430</u>	<u>43,807,255</u>	<u>563,948</u>
Capital assets:				
Land, improvements and construction in progress	3,426,948	2,476,418	5,903,366	-
Other capital assets, net of depreciation	7,720,216	17,886,360	25,606,576	30,621
Total capital assets	<u>11,147,164</u>	<u>20,362,778</u>	<u>31,509,942</u>	<u>30,621</u>
Other assets:				
Deferred charge - issuance costs (net)	142,099	-	142,099	-
Total assets	<u>49,141,088</u>	<u>26,318,208</u>	<u>75,459,296</u>	<u>594,569</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	2,277,801	382,519	2,660,320	156,285
Claims and judgments	139,000	-	139,000	-
Customer deposits	-	197,584	197,584	-
Unearned revenues	498,261	-	498,261	-
Compensated absences - current	717,170	45,837	763,007	8,698
Debt obligations - current	1,930,584	140,032	2,070,616	-
Total current liabilities	<u>5,562,816</u>	<u>765,972</u>	<u>6,328,788</u>	<u>164,983</u>
Noncurrent liabilities:				
Compensated absences	297,008	13,713	310,721	-
Debt obligations	16,898,294	1,354,950	18,253,244	-
Total noncurrent liabilities	<u>17,195,302</u>	<u>1,368,663</u>	<u>18,563,965</u>	<u>-</u>
Total liabilities	<u>22,758,118</u>	<u>2,134,635</u>	<u>24,892,753</u>	<u>164,983</u>
NET ASSETS				
Investment in capital assets, net of related debt	11,086,347	18,867,796	29,954,143	30,621
Restricted for:				
Register of Deeds	91,295	-	91,295	-
Courthouse clocks	56,547	-	56,547	-
Public safety	2,006,227	-	2,006,227	-
Economic and physical development	4,533,174	-	4,533,174	-
Cultural and recreational	669,936	-	669,936	-
Education	626,328	-	626,328	-
Unrestricted	7,313,116	5,315,777	12,628,893	398,965
Total net assets	<u>\$ 26,382,970</u>	<u>\$ 24,183,573</u>	<u>\$ 50,566,543</u>	<u>\$ 429,586</u>

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Chatham County Board of Alcoholic Beverage Control
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 4,636,367	\$ 637,706	\$ 33,351	\$ -	\$ (3,965,310)	\$ (3,965,310)	\$ -
Public safety	11,254,148	1,415,223	886,005	-	(8,952,920)	(8,952,920)	-
Economic and physical development	1,518,604	112,879	334,750	-	(1,070,975)	(1,070,975)	-
Human services	15,909,963	1,263,363	7,242,350	-	(7,404,250)	(7,404,250)	-
Cultural and recreational	1,019,276	465,518	161,144	-	(392,614)	(392,614)	-
Education	18,304,332	1,237,187	-	-	(17,067,145)	(17,067,145)	-
Interest on long-term debt	828,941	-	-	-	(828,941)	(828,941)	-
Total governmental activities	53,471,631	5,131,876	8,657,600	-	(39,682,155)	(39,682,155)	-
Business-type activities:							
Utility	3,164,855	4,450,562	427,860	-	-	1,713,567	-
Solid waste management	2,085,295	2,307,272	40,002	-	-	261,979	-
Total business-type activities	5,250,150	6,757,834	467,862	-	-	1,975,546	-
Total primary government	\$ 58,721,781	\$ 11,889,710	\$ 9,125,462	\$ -	(39,682,155)	(37,706,609)	-
Component unit:							
Chatham County Board of Alcoholic Beverage Control	\$ 1,226,229	\$ 1,276,354	\$ -	\$ -	-	-	50,125
General revenues:							
Taxes:							
Property taxes, levied for general purposes					35,986,789	35,986,789	-
Local option sales tax					9,759,504	9,759,504	-
Deed stamp excise tax					492,368	492,368	-
Occupancy tax					91,191	91,191	-
Rental vehicles tax					2,345	2,345	-
Cable TV franchise tax					115,714	115,714	-
Grants and contributions, not restricted to specific programs					293,714	293,714	-
Unrestricted investment earnings					740,411	844,206	643
Miscellaneous					111,440	112,344	-
Transfers					(82,140)	-	-
Total general revenues and transfers					47,511,336	47,698,175	643
Change in net assets					7,829,181	9,991,566	50,768
Net assets - beginning					18,553,789	40,574,977	378,818
Net assets - ending					\$ 26,382,970	\$ 50,566,543	\$ 429,586

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Impact Fees		
ASSETS				
Cash, cash equivalents and investments	\$ 20,590,870	\$ 4,501,410	\$ 5,348,948	\$ 30,441,228
Receivables, net:				
Taxes	1,629,943	-	112,923	1,742,866
Accounts	350,017	-	-	350,017
Due from other governments	3,433,177	-	103,418	3,536,595
Other receivables	141,387	21,961	50,581	213,929
Total assets	\$ 26,145,394	\$ 4,523,371	\$ 5,615,870	\$ 36,284,635
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,119,355	\$ 1,500	\$ 11,427	\$ 2,132,282
Unearned revenue	460,877	-	37,384	498,261
Deferred revenue	1,702,866	-	112,923	1,815,789
Total liabilities	4,283,098	1,500	161,734	4,446,332
Fund balances:				
Reserved:				
By State statute	3,851,658	21,961	153,999	4,027,618
For Register of Deeds	91,295	-	-	91,295
For courthouse clocks	-	-	56,547	56,547
Unreserved, reported in:				
General Fund				
Designated for subsequent year's expenditures	4,197,731	4,007,845	4,229,504	12,435,080
Undesignated	13,721,612	-	-	13,721,612
Impact Fees Fund				
	-	492,065	-	492,065
Unreserved, reported in non-major funds:				
Special Revenue Funds				
	-	-	891,912	891,912
Capital Projects Funds				
	-	-	122,174	122,174
Total fund balances	21,862,296	4,521,871	5,454,136	31,838,303
Total liabilities and fund balances	\$ 26,145,394	\$ 4,523,371	\$ 5,615,870	\$ 36,284,635

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	\$ 31,838,303
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	269,205
Prepaid asset for net pension obligation, not reported in the funds	90,288
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	11,147,164
Deferred charges relating to the advance refunding bond issue to be amortized and reported in the funds as expenditures	927,132
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	1,068,697
Liabilities for earned but deferred revenues in fund statements	1,815,789
Compensated absences not expected to be materially liquidated with expendable available resources	(1,014,178)
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	(19,759,430)
Net assets of governmental activities	\$ 26,382,970

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	Impact Fees		
REVENUES				
Ad valorem taxes	\$ 32,945,469	\$ -	\$ 2,862,189	\$ 35,807,658
Local option sales tax	9,759,504	-	-	9,759,504
Other taxes	701,618	-	281,433	983,051
Unrestricted intergovernmental	293,714	-	-	293,714
Restricted intergovernmental	7,917,496	-	505,491	8,422,987
Permits and fees	1,489,019	1,237,187	404,391	3,130,597
Sales and services	1,674,517	-	-	1,674,517
Investment earnings	477,936	98,584	114,796	691,316
Other general revenues	307,087	-	28,965	336,052
Total revenues	55,566,360	1,335,771	4,197,265	61,099,396
EXPENDITURES				
Current:				
General government	4,832,400	-	25,427	4,857,827
Public safety	8,413,373	-	3,043,995	11,457,368
Economic and physical development	1,145,595	-	332,889	1,478,484
Human services	16,302,975	-	-	16,302,975
Cultural and recreational	1,073,983	-	207,358	1,281,341
Intergovernmental:				
Education	18,304,332	-	-	18,304,332
Debt service:				
Principal retirement	2,103,929	-	-	2,103,929
Interest and fees	787,567	-	-	787,567
Total expenditures	52,964,154	-	3,609,669	56,573,823
Excess of revenues over (under) expenditures	2,602,206	1,335,771	587,596	4,525,573
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	(410,229)	(250,210)	578,299	(82,140)
Proceeds from capital lease	73,235	-	-	73,235
Total other financing sources (uses)	(336,994)	(250,210)	578,299	(8,905)
Net change in fund balances	2,265,212	1,085,561	1,165,895	4,516,668
Fund balances - beginning of year:	19,597,084	3,436,310	4,288,241	27,321,635
Fund balances - end of year	\$ 21,862,296	\$ 4,521,871	\$ 5,454,136	\$ 31,838,303

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

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	\$ 4,516,668
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 capital outlays exceeded depreciation in the current period	557,981
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	1,973,138
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	(47,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund statements	234,461
Net revenue of the Self-Insurance Internal Service Fund determined to be governmental-type	<u>594,600</u>
Total change in net assets of governmental activities	<u>\$ 7,829,181</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, 2005

	General Fund			Impact Fees Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUES							
Ad valorem taxes	\$ 31,901,680	\$ 31,966,680	\$ 32,945,469	\$ -	\$ -	\$ -	\$ -
Local option sales tax	8,737,961	8,737,961	9,759,504	-	-	-	-
Other taxes	527,377	527,377	701,618	-	-	-	-
Unrestricted intergovernmental	250,000	250,000	293,714	-	-	-	-
Restricted intergovernmental	6,284,765	8,408,163	7,917,496	-	-	-	-
Permits and fees	1,174,878	1,176,378	1,489,019	866,000	866,000	1,237,187	371,187
Sales and services	1,687,063	1,698,604	1,674,517	-	-	-	-
Investment earnings	195,000	195,000	477,936	20,000	20,000	98,584	78,584
Other general revenues	194,001	223,226	307,087	-	-	-	-
Total revenues	50,912,725	53,143,389	55,566,360	886,000	886,000	1,335,771	449,771
EXPENDITURES							
Current:							
General government	5,275,854	5,518,072	4,832,400	-	-	-	-
Public safety	8,471,386	8,838,950	8,413,373	-	-	-	-
Economic and physical development	1,309,867	1,331,386	1,145,595	-	-	-	-
Human services	15,722,141	17,461,703	16,302,975	-	-	-	-
Cultural and recreational	1,071,670	1,082,156	1,073,983	-	-	-	-
Intergovernmental:							
Education	18,535,367	18,583,367	18,304,332	3,697,642	3,697,642	-	3,697,642
Debt service:							
Principal retirement	1,994,374	2,103,931	2,103,929	-	-	-	-
Interest and fees	985,036	875,480	787,567	-	-	-	-
Contingency	75,000	14,784	-	-	-	-	-
Total expenditures	53,440,695	55,809,869	52,964,154	3,697,642	3,697,642	1,335,771	3,697,642
Revenues over (under) expenditures	(2,527,970)	(2,666,480)	2,602,206	(2,811,642)	(2,811,642)	1,335,771	4,147,413
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	1,004,168	1,172,026	1,099,771	-	-	-	-
Transfers to other funds	(1,000,000)	(1,400,000)	(1,510,000)	(322,465)	(322,465)	(250,210)	72,255
Proceeds from capital lease	-	-	73,235	-	-	-	-
Total other financing sources (uses)	4,168	(227,974)	(336,994)	(322,465)	(322,465)	(250,210)	72,255
Revenues and other financing sources over (under) expenditures and other financing uses	(2,523,802)	(2,894,454)	2,265,212	(3,134,107)	(3,134,107)	1,085,561	4,219,668
Appropriated fund balance	2,523,802	2,894,454	-	3,134,107	3,134,107	-	(3,134,107)
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	\$ -	\$ -	2,265,212	\$ -	\$ -	1,085,561	\$ 1,085,561
Fund balances - beginning of year	-	-	19,597,084	-	-	3,436,310	-
Fund balances - end of year	-	-	\$ 21,862,296	-	-	\$ 4,521,871	-

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 3,170,341	\$ 1,764,607	\$ 4,934,948	\$ 1,282,314
Receivables, net	741,859	101,691	843,550	-
Due from other governments	32,438	24,286	56,724	-
Other receivables	16,699	21,747	38,446	7,145
Total current assets	3,961,337	1,912,331	5,873,668	1,289,459
Capital assets:				
Land, improvements and construction in progress	1,956,946	519,472	2,476,418	-
Other capital assets, net of depreciation	16,850,049	1,036,311	17,886,360	-
Total capital assets, net	18,806,995	1,555,783	20,362,778	-
Total assets	22,768,332	3,468,114	26,236,446	1,289,459
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	282,891	99,628	382,519	-
Claims and judgments	-	-	-	139,000
Customer deposits	196,334	1,250	197,584	-
Compensated absences payable - current	20,055	25,782	45,837	-
Installment notes payable - current	140,032	-	140,032	-
Total current liabilities	639,312	126,660	765,972	139,000
Noncurrent liabilities:				
Compensated absences payable - noncurrent	9,782	3,931	13,713	-
Installment notes payable - noncurrent	1,354,950	-	1,354,950	-
Total noncurrent liabilities	1,364,732	3,931	1,368,663	-
NET ASSETS				
Invested in capital assets, net of related debt	17,312,013	1,555,783	18,867,796	-
Unrestricted	3,452,275	1,781,740	5,234,015	1,150,459
Total net assets	20,764,288	3,337,523	24,101,811	1,150,459
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			\$ 24,101,811	
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			81,762	
Net assets - business-type activities			\$ 24,183,573	

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	
OPERATING REVENUES				
Charges for services	\$ 4,450,562	\$ 2,234,136	\$ 6,684,698	\$ 2,646,647
Other operating revenues	904	73,136	74,040	-
Total operating revenues	<u>4,451,466</u>	<u>2,307,272</u>	<u>6,758,738</u>	<u>2,646,647</u>
OPERATING EXPENSES				
Operating expenses	2,474,062	1,897,800	4,371,862	2,050,922
Depreciation and amortization	652,529	210,431	862,960	-
Total operating expenses	<u>3,126,591</u>	<u>2,108,231</u>	<u>5,234,822</u>	<u>2,050,922</u>
Operating income	<u>1,324,875</u>	<u>199,041</u>	<u>1,523,916</u>	<u>595,725</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	64,675	39,120	103,795	49,095
Interest and other charges	(65,548)	-	(65,548)	-
Grants and subsidies	427,860	40,002	467,862	-
Total nonoperating revenues (expenses), net	<u>426,987</u>	<u>79,122</u>	<u>506,109</u>	<u>49,095</u>
Income before transfers	1,751,862	278,163	2,030,025	644,820
Transfers from other funds, net	<u>82,140</u>	<u>-</u>	<u>82,140</u>	<u>-</u>
Change in net assets	1,834,002	278,163	2,112,165	644,820
Total net assets, beginning	18,930,286	3,059,360	21,989,646	505,639
Total net assets, ending	<u>\$ 20,764,288</u>	<u>\$ 3,337,523</u>	<u>\$ 24,101,811</u>	<u>\$ 1,150,459</u>
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			\$ 2,112,165	
A portion of the revenue and expenditures reported in the self-insurance internal service fund has been allocated to business-type activities			<u>50,220</u>	
Total change in net assets of business-type activities			<u>\$ 2,162,385</u>	

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	4,339,635	2,255,633	6,595,268	2,675,600
Cash paid for goods and services	(1,759,370)	(1,339,591)	(3,098,961)	(2,074,922)
Cash paid to or on behalf of employees for services	(801,973)	(557,308)	(1,359,281)	-
Customer deposits received	42,149	-	42,149	-
Customer deposits returned	(32,845)	-	(32,845)	-
Other operating activities	904	73,136	74,040	-
	<u>1,788,500</u>	<u>431,870</u>	<u>2,220,370</u>	<u>600,678</u>
Net cash provided by operating activities				
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental non-operating revenues received	427,860	40,002	467,862	-
Transfers from other funds	82,140	-	82,140	-
	<u>510,000</u>	<u>40,002</u>	<u>550,002</u>	<u>-</u>
Net cash provided by noncapital financing activities				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(1,220,835)	(30,780)	(1,251,615)	-
Proceeds from issuance of note	6,420	-	6,420	-
Principal paid on bonds, notes and capital leases	(131,115)	-	(131,115)	-
Interest paid on bonds, notes and capital leases	(65,548)	-	(65,548)	-
	<u>(1,411,078)</u>	<u>(30,780)</u>	<u>(1,441,858)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	58,103	37,251	95,354	44,763
Net increase in cash and cash equivalents	945,525	478,343	1,423,868	645,441
Balances, beginning of year	2,224,816	1,286,264	3,511,080	636,873
Balances, end of year	<u>\$ 3,170,341</u>	<u>\$ 1,764,607</u>	<u>\$ 4,934,948</u>	<u>\$ 1,282,314</u>

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 For the Year Ended June 30, 2005

	Business-type Activities - Enterprise		Governmental Activities
	Utility	Solid Waste Management	
		Total	
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,324,875	\$ 199,041	\$ 595,725
		\$ 1,523,916	
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	652,529	210,431	-
Reduction of provision for doubtful accounts	(39,055)	4,100	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(101,507)	4,589	28,953
(Increase) decrease in due from other governments	(9,420)	16,908	-
Increase (decrease) in accounts payable and accrued liabilities	(52,923)	(9,440)	(24,000)
Increase (decrease) in customer deposits	9,304	-	-
Increase (decrease) in compensated absences payable	4,697	6,241	-
Total adjustments	463,625	232,829	4,953
Net cash provided by operating activities	\$ 1,788,500	\$ 431,870	\$ 600,678

See accompanying notes.

COUNTY OF CHATHAM, NORTH CAROLINA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2005

	Fiduciary Funds	Agency Funds
ASSETS		
Cash, cash equivalents and investments	\$ 266,991	\$ 163,455
Property taxes receivables (net)	-	107,244
Due from other governmental agencies	-	23,451
Other receivables	<u>1,286</u>	<u>275</u>
Total assets	<u>268,277</u>	<u>\$ 294,425</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued liabilities	98	-
Due to agency participants	-	72,598
Due to other government agencies	<u>-</u>	<u>221,827</u>
Total liabilities	<u>98</u>	<u>294,425</u>
Net assets:		
Assets held in trust for employees' pension benefits	259,546	-
Assets held in trust for employees' medical and child care benefits	<u>8,633</u>	<u>-</u>
Total net assets	<u>\$ 268,179</u>	<u>\$ -</u>

COUNTY OF CHATHAM, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Fiduciary Funds</u>
ADDITIONS:	
Employer on-behalf payments	\$ 50,000
Employee contributions	66,230
Investment earnings	<u>6,536</u>
Total additions	122,766
DEDUCTIONS:	
Benefit payments	<u>114,312</u>
Net change in assets	8,454
Net assets - beginning of year	<u>259,725</u>
Net assets - end of year	<u>\$ 268,179</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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Chatham, North Carolina is a political subdivision of the state of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10 and is located in the central part of the state and has a population of approximately 55,000. The County operates under a 5 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 and its component unit 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 are presented as departments or units within the primary government.

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, 2005. 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, 2005. 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.

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, 2005. The District

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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 Board of Alcoholic Beverage Control (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 no profit distributions for the year ended June 30, 2005.

Complete financial statements for the Chatham County Board of Alcoholic Beverage Control may be obtained at their administrative offices at Chatham County Board of Alcoholic Beverage Control, 11455 Suite B, US15-501, 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.

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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, 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.

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. 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, 2005 because they are intended to finance the County's operations during the 2006 fiscal year.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

- 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.

The Local Government Budget and Fiscal Control Act prohibits expenditures in excess of appropriations. 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. Agency funds are not budgeted.

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.

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, cash equivalents 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 BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Assets, Liabilities, and Fund Equity

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

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. 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.

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.

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on 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 tax payer'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 tax payer only when that property is seized or attached by the tax collector.

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

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.

Long-Term Debt

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

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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.

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.

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.

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

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 represents 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.

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:

Description

Assets that are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Accrued interest receivable from taxes	\$ <u>269,205</u>
Prepaid asset in the government-wide statements, not reported in the fund statements as it relates to net pension obligation	<u>90,288</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)	21,579,718
Less accumulated depreciation	<u>10,432,554</u>
Net capital assets	<u>11,147,164</u>
Deferred charges related to advance refunding bond issue	<u>927,132</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

Description

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	\$ 1,282,314
Other receivables	7,145
Internal balances	(81,762)
Claims and judgments	<u>(139,000)</u>
	<u>1,068,697</u>

Liabilities for earned but deferred revenues in fund statements:

Property taxes receivable	1,742,866
Health department fees receivable	<u>72,923</u>
	<u>1,815,789</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	(19,407,591)
Accrued interest payable	(145,519)
Unamortized bond premium	<u>(206,320)</u>
	(19,759,430)
Compensated absences	<u>(1,014,178)</u>
	<u>(20,773,608)</u>

Total adjustment \$ (5,455,333)

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:

Description

Capital outlay expenditures recorded in fund statements but capitalized as assets in the statement of activities \$ 1,310,133

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 (752,152)

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.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Description

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	\$ 2,103,929
Proceeds from capital lease	(73,235)
Amortization of bond premium	28,690
Amortization of bond issuance costs	(13,219)
Amortization of refunding deferred charge	(73,027)

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)	16,182
Difference in retirement expense between fund statements (modified accrual) and government-wide statements (full accrual)	14,442
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(78,291)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Change in deferred tax revenues in the fund statements	146,086
Change in accrued interest on taxes deferred in the fund statements	33,045
Change in health department fees deferred in the fund statements	55,330
Net revenue of the Self-Insurance Internal Service Fund determined to be to governmental activities	<u>594,600</u>
Total adjustment	<u>\$ 3,312,513</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments of the County as of June 30, 2005 include the following:

	Reported value	Fair value
Cash on hand	\$ 1,610	\$ 1,610
Deposits - NOW, SuperNOW, MMDA and certificates of deposit	33,148,280	33,148,280
North Carolina Capital Management Trust	<u>3,939,046</u>	<u>3,939,046</u>
Total	<u>\$ 37,088,936</u>	<u>\$ 37,088,936</u>

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 \$33,148,280 and a bank balance of \$33,663,212. Of the bank balance, \$283,989 was covered by federal depository insurance and \$33,379,223 was collateralized under the Pooling Method. Cash on hand totaled \$1,610.

At year-end, the ABC Board's deposits had a carrying amount of \$347,690, exclusive of cash on hand of \$1,900, and a bank balance of \$343,690. The bank balance was covered by federal depository insurance and any excess over the FDIC limit was collateralized using the pooling method.

Investments

At June 30, 2005, the County had the following investments and maturities:

Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years
NC Capital Management Trust- Cash Portfolio	3,939,046	N/A	N/A	N/A

Interest Rate Risk. The County and the ABC Board do not have a formal investment policy that limits investment maturities as a means to managing their exposure to fair value losses arising from increasing interest rates.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer.

At June 30, 2005, the ABC Board did not have any investments.

NOTE 3 - RECEIVABLES

Receivables at the government-wide level at June 30, 2005 were as follows:

	Taxes and Related Accrued Interest	Accounts	Due from Other Governments	Other	Total
Governmental activities:					
General	\$ 2,430,497	\$ 431,903	\$ 3,433,177	\$ 141,387	\$ 6,436,964
Other governmental	176,900	-	103,418	72,542	352,860
Internal service	-	-	-	7,145	7,145
	<u>2,607,397</u>	<u>431,903</u>	<u>3,536,595</u>	<u>221,074</u>	<u>6,796,969</u>
Allowance for doubtful accounts	<u>595,326</u>	<u>81,886</u>	<u>-</u>	<u>-</u>	<u>677,212</u>
Total governmental activities	<u>\$ 2,012,071</u>	<u>\$ 350,017</u>	<u>\$ 3,536,595</u>	<u>\$ 221,074</u>	<u>\$ 6,119,757</u>
Business-type activities:					
Utility	\$ -	\$ 745,728	\$ 32,438	\$ 16,699	\$ 794,865
Solid waste management	-	129,891	24,286	21,747	175,924
	<u>-</u>	<u>875,619</u>	<u>56,724</u>	<u>38,446</u>	<u>970,789</u>
Allowance for doubtful accounts	<u>-</u>	<u>32,069</u>	<u>-</u>	<u>-</u>	<u>32,069</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 843,550</u>	<u>\$ 56,724</u>	<u>\$ 38,446</u>	<u>\$ 938,720</u>

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

Governmental activities:

Local option sales tax	\$ 2,609,049
Federal and state grants	800,057
Sales tax refunds	96,145
Other	<u>31,344</u>

Total governmental activities \$ 3,536,595

Business-type activities:

Sales tax refunds	\$ 36,980
Scrap tire tax	13,246
White goods disposal tax	4,626
Federal and State grants	<u>1,872</u>

Total business-type activities \$ 56,724

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary government:

	Balance July 1, 2004	Additions	Disposals	Transfers In (Out)	Balance June 30, 2005
Nondepreciable assets:					
Land	\$ 2,916,379	\$ -	\$ -	\$ -	\$ 2,916,379
Construction in progress	463,201	203,851	-	(156,483)	510,569
Total	<u>3,379,580</u>	<u>203,851</u>	<u>-</u>	<u>(156,483)</u>	<u>3,426,948</u>
Depreciable assets:					
Buildings	10,863,243	168,911	-	156,483	11,188,637
Equipment and vehicles	6,083,893	937,371	57,131	-	6,964,133
Total	<u>16,947,136</u>	<u>1,106,282</u>	<u>57,131</u>	<u>156,483</u>	<u>18,152,770</u>
Less accumulated depreciation and amortization for:					
Buildings	4,752,409	265,553	-	-	5,017,962
Equipment and vehicles	4,985,124	486,599	57,131	-	5,414,592
Total	<u>9,737,533</u>	<u>752,152</u>	<u>57,131</u>	<u>-</u>	<u>10,432,554</u>
Depreciable assets – net	<u>7,209,603</u>	<u>354,130</u>	<u>-</u>	<u>156,483</u>	<u>7,720,216</u>
Total Governmental Activities Capital Assets – net	<u>\$ 10,589,183</u>	<u>\$ 557,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,147,164</u>

Governmental activities by function:

	Balance July 1, 2004	Additions	Disposals	Transfers In (Out)	Balance June 30, 2005
General government	\$ 7,910,383	\$ 339,275	\$ 8,150	\$ (14,851)	\$ 8,226,657
Public safety	5,882,096	480,491	48,981	(8,317)	6,305,289
Human services	3,517,601	213,281	-	23,168	3,754,050
Environmental protection and economic development	2,095,021	-	-	-	2,095,021
Cultural and recreational	921,615	277,086	-	-	1,198,701
Total	<u>20,326,716</u>	<u>1,310,133</u>	<u>57,131</u>	<u>-</u>	<u>21,579,718</u>
Less accumulated depreciation and amortization for:					
General government	3,958,830	195,005	8,150	(14,851)	4,130,834
Public safety	3,301,496	426,914	48,981	(8,317)	3,671,112
Human services	1,724,329	46,155	-	23,168	1,793,652
Environmental protection and economic development	388,148	60,994	-	-	449,142
Cultural and recreational	364,730	23,084	-	-	387,814
Total	<u>9,737,533</u>	<u>752,152</u>	<u>57,131</u>	<u>-</u>	<u>10,432,554</u>
Total Governmental Activities Capital Assets – net	<u>\$ 10,589,183</u>	<u>\$ 557,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,147,164</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Business-type activities:

Utility Fund

	Balance July 1, 2004	Additions	Disposals	Transfers In (Out)	Balance June 30, 2005
Nondepreciable assets:					
Land	\$ 202,882	\$ -	\$ -	\$ -	\$ 202,882
Construction in progress	1,631,503	1,152,026	-	(1,029,465)	1,754,064
	<u>1,834,385</u>	<u>1,152,026</u>	<u>-</u>	<u>(1,029,465)</u>	<u>1,956,946</u>
Depreciable assets:					
Buildings	4,449,153	-	-	-	4,449,153
Wells and water lines	16,749,181	-	-	1,029,465	17,778,646
Equipment and vehicles	934,710	68,810	-	-	1,003,520
	<u>22,133,044</u>	<u>68,810</u>	<u>-</u>	<u>1,029,465</u>	<u>23,231,319</u>
Less accumulated depreciation and amortization for:					
Buildings	1,838,290	226,669	-	-	2,064,959
Wells and water lines	3,164,510	333,964	-	-	3,498,474
Equipment and vehicles	725,941	91,896	-	-	817,837
	<u>5,728,741</u>	<u>652,529</u>	<u>-</u>	<u>-</u>	<u>6,381,270</u>
Depreciable assets – net	<u>16,404,303</u>	<u>(583,719)</u>	<u>-</u>	<u>1,029,465</u>	<u>16,850,049</u>
Total utility fund capital assets – net	<u>\$ 18,238,688</u>	<u>\$ 568,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,806,995</u>

Solid Waste Management Fund

	Balance July 1, 2004	Additions	Disposals	Transfers In (Out)	Balance June 30, 2005
Nondepreciable assets:					
Land	\$ 294,890	\$ -	\$ -	\$ -	\$ 294,890
Construction in progress	224,209	373	-	-	224,582
	<u>519,099</u>	<u>373</u>	<u>-</u>	<u>-</u>	<u>519,472</u>
Depreciable assets:					
Buildings	1,797,817	-	-	-	1,797,817
Equipment and vehicles	1,638,098	30,407	5,067	-	1,663,438
	<u>3,435,915</u>	<u>30,407</u>	<u>5,067</u>	<u>-</u>	<u>3,461,255</u>
Less accumulated depreciation and amortization for:					
Buildings	926,967	79,034	-	-	1,006,001
Equipment and vehicles	1,292,613	131,397	5,067	-	1,418,943
	<u>2,219,580</u>	<u>210,431</u>	<u>5,067</u>	<u>-</u>	<u>2,424,944</u>
Depreciable assets – net	<u>1,216,335</u>	<u>(180,024)</u>	<u>-</u>	<u>-</u>	<u>1,036,311</u>
Total solid waste fund capital assets – net	<u>1,735,434</u>	<u>(179,651)</u>	<u>-</u>	<u>-</u>	<u>1,555,783</u>
Total business-type activities capital assets –net	<u>\$ 19,974,122</u>	<u>\$ 388,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,362,778</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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

Utility	\$ 652,529
Solid Waste Management	<u>210,431</u>
	<u>\$ 862,960</u>

Construction Commitments

The County has active construction projects as of June 30, 2005 as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Westward Water Distribution	\$ 562,521	\$ 369,438
Business Park Phase I	83,525	393,075
Jordan Lake Water Treatment Plant Upgrade	30,000	629,000
Raw Water Pump Station	-	282,500
3M Water Reuse Project	247,528	191,063
CDBG Scattered Site	37,000	21,000
Southern Supreme	-	45,700
Southwest Chatham Park	236,904	23,505
Stockyard Road Sewer	841,538	18,796
Group B Water Projects	171,708	156,091
North Chatham Hydraulic	<u>253,465</u>	<u>172,222</u>
	<u>\$ 2,464,189</u>	<u>\$ 2,302,390</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, 2005 was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2005</u>
Depreciable assets:				
Leasehold improvements	\$ 11,527			\$ 11,527
Equipment and fixtures	<u>86,147</u>	<u>\$ -</u>	<u>\$ 932</u>	<u>85,215</u>
	97,674			96,742
Less accumulated depreciation	<u>58,154</u>	<u>\$ 8,850</u>	<u>\$ 883</u>	<u>66,121</u>
	<u>\$ 39,520</u>			<u>\$ 30,621</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 5 - PAYABLES

Payables at the government-wide level at June 30, 2005 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General	\$ 1,112,784	\$ 921,225	\$ 145,519	\$ 85,346	\$ 2,264,874
Other governmental	<u>12,138</u>	<u>789</u>	<u>-</u>	<u>-</u>	<u>12,927</u>
Total governmental activities	<u>\$ 1,124,922</u>	<u>\$ 922,014</u>	<u>\$ 145,519</u>	<u>\$ 85,346</u>	<u>\$ 2,277,801</u>
Business-type activities:					
Utility	\$ 231,695	\$ 51,196	\$ -	\$ -	\$ 282,891
Solid waste management	<u>68,406</u>	<u>31,222</u>	<u>-</u>	<u>-</u>	<u>99,628</u>
Total business-type activities	<u>\$ 300,101</u>	<u>\$ 82,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,519</u>

NOTE 6 - OPERATING LEASES

The County leases certain telecommunications equipment under a non-cancelable operating lease. Lease expense charged to operations totaled \$41,459 for the year ended June 30, 2005. Future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2006	<u>\$ 29,457</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>
2006	\$ 34,663
2007	<u>13,300</u>
	<u>\$ 47,963</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 7 – LONG-TERM DEBT

Long-term debt obligations of the County at June 30, 2005 consist of the following:

	Serviced by	
	<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	\$ 500,000	\$ -
School bonds – issued October 1, 1996; interest at 4.70% to 5.25%; due serially to 2011	2,660,000	-
Refunding bonds, Series 2001 – issued September 1, 2001; interest at 3.00% to 4.25%; due serially to 2012	5,605,000	-
Refunding bonds, Series 2004 – issued April 6, 2004; interest at 2.25% to 4.00%; due serially to 2016	10,180,000	-
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>401,774</u>	<u>-</u>
Total general obligation bonds	<u>19,346,774</u>	<u>-</u>
<u>Other Long-Term General Obligations</u>		
Capital lease to acquire outdoor sports lighting; due in annual installments of \$13,320 which includes interest at 9.845%; expiration date of July 2010; collateralized by outdoor sports lighting with a book value of \$73,235, net of accumulated depreciation of \$0	60,817	-
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	-	1,076,667
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	-	266,735
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	<u>-</u>	<u>151,580</u>
Total other long-term obligations	<u>60,817</u>	<u>1,494,982</u>
Total outstanding	19,407,591	1,494,982
Less current portion	(1,930,584)	(140,032)
Add bond premium	206,320	-
Less refunding charges	<u>(785,033)</u>	<u>-</u>
	<u>\$ 16,898,294</u>	<u>\$ 1,354,950</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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, 2005:

	Balances June 30, 2004	Additions	Retirements	Balances June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds	\$21,291,648	\$ -	\$ 1,944,874	\$19,346,774	\$ 1,919,874
Other long-term obligations	<u>146,636</u>	<u>73,235</u>	<u>159,054</u>	<u>60,817</u>	<u>10,710</u>
	21,438,284	73,235	2,103,928	19,407,591	1,930,584
Deferred amounts:					
Add bond premium	235,010	-	28,690	206,320	-
Less refunding charges	(858,060)	-	(73,027)	(785,033)	-
Compensated absences	<u>935,887</u>	<u>785,461</u>	<u>717,170</u>	<u>1,004,178</u>	<u>717,170</u>
	<u>\$21,751,121</u>	<u>\$ 858,696</u>	<u>\$ 2,776,761</u>	<u>\$19,833,056</u>	<u>\$ 2,647,754</u>
Business-type activities:					
Other long-term obligations	\$ 1,619,676	\$ 6,420	\$ 131,114	\$ 1,494,982	\$ 140,032
Compensated absences	<u>48,612</u>	<u>56,775</u>	<u>45,837</u>	<u>59,550</u>	<u>45,837</u>
	<u>\$ 1,668,288</u>	<u>\$ 63,195</u>	<u>\$ 176,951</u>	<u>\$ 1,554,532</u>	<u>\$ 185,869</u>

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2005, including interest, are as follows:

	General Obligation Bonds		Other long-term obligations		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Governmental activities:						
2006	\$ 1,919,874	\$ 701,431	\$ 10,710	\$ 2,611	\$ 1,930,584	\$ 704,042
2007	1,904,874	620,581	8,158	5,162	1,913,032	625,743
2008	1,864,874	555,543	8,999	4,321	1,873,873	559,864
2009	1,829,874	491,388	9,926	3,394	1,839,800	494,782
2010	1,789,874	424,350	10,948	2,372	1,800,822	426,722
2011-2015	8,784,370	1,162,463	12,076	1,244	8,796,446	1,163,707
2016-2020	<u>1,253,034</u>	<u>50,000</u>	-	-	<u>1,253,034</u>	<u>50,000</u>
	<u>\$ 19,346,774</u>	<u>\$ 4,005,756</u>	<u>\$ 60,817</u>	<u>\$ 19,104</u>	<u>\$19,407,591</u>	<u>\$ 4,024,860</u>
Business-type activities:						
2006	\$ -	\$ -	\$ 140,032	\$ 68,204	\$ 140,032	\$ 68,204
2007	-	-	140,032	57,121	140,032	57,121
2008	-	-	140,032	50,661	140,032	50,661
2009	-	-	140,032	44,200	140,032	44,200
2010	-	-	140,032	37,740	140,032	37,740
2011-2015	-	-	643,494	92,152	643,494	92,152
2016-2020	-	-	133,494	13,044	133,494	13,044
2021-2023	-	-	<u>17,834</u>	<u>749</u>	<u>17,834</u>	<u>749</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494,982</u>	<u>\$ 363,871</u>	<u>\$ 1,494,982</u>	<u>\$ 363,871</u>

At June 30, 2005, the County of Chatham had a legal debt margin of \$384,506,645.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

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

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, 2005.

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)	\$ -	\$ 460,877
Prepaid taxes not yet earned (Special Revenue)	-	37,384
Taxes receivable, net (General)	1,629,943	-
Taxes receivable, net (Special Revenue)	112,923	-
Health department fees receivable, net (General)	<u>72,923</u>	<u>-</u>
	<u>\$ 1,815,789</u>	<u>\$ 498,261</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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, 2005, 2004, and 2003 were \$612,759, \$568,627 and \$544,913, respectively. The ABC Board's contributions to LGERs for the years ended June 30, 2005, 2004 and 2003 were \$5,711, \$6,744 and \$5,499, 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, 2004, 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>63</u>
Total	<u>68</u>

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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 \$50,000, or 2.4% 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, 2004 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, 2004 was 26 years.

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 36,914
Interest on net pension obligation	(5,997)
Adjustment to annual required contribution	<u>4,641</u>
Annual pension cost	35,558
Contributions made	<u>50,000</u>
Increase in net pension asset	14,442
Net pension asset, beginning of year	<u>75,846</u>
Net pension asset, end of year	<u>\$ 90,288</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

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

expenses by type are presented for as many years as the standardized measure of pension benefit obligation is available.

3 Year Trend Information

<u>Fiscal year ended</u>	<u>Annual pension costs (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension asset end of year</u>
6/30/03	\$ 33,759	125.65%	\$ 65,428
6/30/04	39,582	126.32%	75,846
6/30/05	35,558	140.62%	90,288

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

The County contributes 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, 2005 were \$126,828, which consisted of \$106,474 from the County and \$20,354 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 five 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, 2005 were \$677,022, which consisted of \$479,236 from the County and \$197,786 from the employees.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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.

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, 2005, the County's required and actual contributions were \$20,885.

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 will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a 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, 2005, the County made contributions to the State for death benefits of \$12,342. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

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	\$ 258,358	\$ 8,633	\$ 266,991
Other receivables	<u>1,286</u>	<u>-</u>	<u>1,286</u>
Total assets	<u>259,644</u>	<u>8,633</u>	<u>268,277</u>
Liabilities:			
Accounts payable and other accrued liabilities	<u>98</u>	<u>-</u>	<u>98</u>
Net assets:			
Assets held in trust for employees' pension benefits	259,546	-	259,546
Assets held in trust for employees' medical and child care benefits	<u>-</u>	<u>8,633</u>	<u>8,633</u>
Total net assets	<u>\$ 259,546</u>	<u>\$ 8,633</u>	<u>\$ 268,179</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	-	66,230	66,230
Investment earnings	<u>6,529</u>	<u>7</u>	<u>6,536</u>
Total additions	56,529	66,237	122,766
Deductions:			
Benefit payments	<u>47,899</u>	<u>66,413</u>	<u>114,312</u>
Net change in assets	8,630	(176)	8,454
Net assets, beginning of year	<u>250,916</u>	<u>8,809</u>	<u>259,725</u>
Net assets, end of year	<u>\$ 259,546</u>	<u>\$ 8,633</u>	<u>\$ 268,179</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, 2005**

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 \$25,323,730. General liability coverage is \$2,000,000 per occurrence, with a \$5,000,000 general aggregate, and automobile liability is \$2,000,000 per occurrence. The public entity management liability (errors and omissions) and the law enforcement liability coverage is \$2,000,000 per occurrence, with a \$4,000,000 general aggregate. The employment practices liability coverage is \$2,000,000 per occurrence, with a \$2,000,000 general aggregate. The County participates in a self-funded risk financing pool administered by a private company. Through this pool, the County self-insures for workmen's compensation coverage, and purchases reinsurance with a \$350,000 retention per occurrence up to a maximum of \$1,000,000. The County self-insures for employee health coverage, which is administered by a private company, with a stop loss provision of \$55,000 per occurrence. The maximum lifetime benefit is \$2,000,000. The County carries commercial insurance coverage above these limits. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The 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, 2005 amounting to approximately \$74,600 at June 30, 2005. 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 \$900,000 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.

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

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

estimated unfiled insurance claims. The following is a reconciliation of the changes in the liability for claims and judgments for the prior two fiscal years:

Accrued claims and judgments, July 1, 2003	\$ 131,000
Additions	1,990,511
Benefits paid	<u>(1,958,511)</u>
Accrued claims and judgments, June 30, 2004	163,000
Additions	1,364,902
Benefits paid	<u>(1,666,902)</u>
Accrued claims and judgments, June 30, 2005	<u>\$ 139,000</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, 2005 were approximately \$4,500.

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, 2005, the County incurred costs towards the acquisition of land for the buffer zone at a cost of \$373. 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, 2005 consist of the following:

From the General Fund to the Equipment Capital Reserve Fund Resources for capital outlay expenditures	\$ (26,724)
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	(205,422)
From the General Fund to the Imaging Project Fund to accumulated and provide resources for expenditures under the Imaging Project	(100,000)
From the General Fund to the Utility Capital Projects Fund to provide resources for capital projects expenditures	(10,000)
From the General Fund to the Utility Fund to supplement utility operations	(500,000)
From the School Capital Reserve to the General Fund to supplement appropriations to schools	181,707

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

From the Impact Fees Fund to the General Fund to provide resources to make principal and interest payments on school bonds	\$ 250,210
General Fund transfers, net	<u>(410,229)</u>
From the Mapping Project Fund to the Enhanced 911 Fund to accumulate resources to improve the County's Enhanced 911 System	(10,125)
From the Mapping Project Fund to the Equipment Capital Reserve to accumulate resources for capital outlay expenditures	(3,935)
From the Facilities Improvement Fund to the Equipment Capital Reserve to accumulate resources for capital outlay expenditures	(3,992)
From the Recreation Payment In Lieu Fund to the Southwest Park Capital Projects	<u>13,390</u>
Fund to fund improvements to Southwest Chatham Park	
Capital Project Fund transfers, net	<u>(4,662)</u>
From the Utility Fund to the Economic Community Development Fund to provide funding for various Community Development Projects	(427,860)
From the Utility Fund to the Water Capital Projects Fund to provide resources for water plant modifications	(22,000)
From the Utility Fund to the Water Vehicle Reserve Fund to provide resources for future vehicle acquisitions	<u>(114,893)</u>
Utility Fund transfers, net	<u>(564,753)</u>
From the Water Capital Reserve Fund to the Water Capital Projects Fund for various capital projects	<u>(870,600)</u>
From the Solid Waste Management Fund to the Solid Waste Capital Reserve to provide resources for capital outlay	<u>(42,694)</u>
	<u>\$ (1,892,938)</u>

NOTE 17 – 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, 2005.

**COUNTY OF CHATHAM, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 18 – 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 \$380,418 for the year ended June 30, 2005.

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 \$362,744 to the Community College for operating purposes during the fiscal year ended June 30, 2005. 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, 2005. 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, 2005. 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 may be obtained from the Corporation's administrative office at 12 East Street, Pittsboro, North Carolina 27312.

NOTE 19 - 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 \$39,567 to the Council during the fiscal year ended June 30, 2005.

**COUNTY OF CHATHAM, NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005**

NOTE 20 - 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>
Medicaid	\$ 22,820,970	\$ 1,097,295
Food Stamp Program	2,728,852	-
Temporary Assistance for Needy Families	368,742	-
Adoption Assistance	144,367	127,858
Foster Care	123,999	105,272
Low Income Energy Assistance	58,262	-
State/County Special Assistance for Adults	-	381,109
Other	<u>-</u>	<u>1,458</u>
Total	<u>\$ 26,245,192</u>	<u>\$ 1,712,992</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.

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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)
12/31/04	\$ 200,295	\$ 407,418	\$ 207,123	49.16%	\$ 1,969,308	10.52%
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%

* 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>
2005	\$ 36,914	135.45%
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%

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, 2004
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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
REVENUES:					
Ad valorem taxes:					
Current year	\$ 31,186,680	\$ 31,251,680	\$ 31,935,773	\$ 684,093	\$ 30,402,184
Prior years	575,000	575,000	772,862	197,862	779,182
Penalties, interest and advertising costs	140,000	140,000	236,834	96,834	207,892
	<u>31,901,680</u>	<u>31,966,680</u>	<u>32,945,469</u>	<u>978,789</u>	<u>31,389,258</u>
Local option sales tax:					
Article 39 - 1 percent	2,740,607	2,740,607	3,415,191	674,584	2,997,767
Article 40 - 1/2 percent	2,235,900	2,235,900	2,286,357	50,457	2,180,393
Article 42 - 1/2 percent	2,222,343	2,222,343	2,274,483	52,140	2,166,831
Article 44 - 1/2 percent	1,539,111	1,539,111	1,783,473	244,362	1,639,046
	<u>8,737,961</u>	<u>8,737,961</u>	<u>9,759,504</u>	<u>1,021,543</u>	<u>8,984,037</u>
Other taxes:					
Deed stamp excise tax	350,000	350,000	492,368	142,368	373,335
Occupancy tax	86,377	86,377	91,191	4,814	78,792
Rental vehicles	6,000	6,000	2,345	(3,655)	4,228
Cable TV franchise	85,000	85,000	115,714	30,714	98,605
	<u>527,377</u>	<u>527,377</u>	<u>701,618</u>	<u>174,241</u>	<u>554,960</u>
Unrestricted intergovernmental:					
Payments in lieu of taxes	33,000	33,000	55,384	22,384	54,189
ABC profit distribution	-	-	114	114	20,000
Beer and wine excise tax	175,000	175,000	192,295	17,295	182,535
State hold-harmless	-	-	-	-	32,185
Other	42,000	42,000	45,921	3,921	41,261
	<u>250,000</u>	<u>250,000</u>	<u>293,714</u>	<u>43,714</u>	<u>330,170</u>
Restricted intergovernmental:					
State and federal grants	<u>6,284,765</u>	<u>8,408,163</u>	<u>7,917,496</u>	<u>(490,667)</u>	<u>7,370,823</u>
Permits and fees:					
Inspection fees	800,878	800,878	1,020,236	219,358	1,049,592
Register of deeds fees	365,000	366,500	460,533	94,033	486,176
Concealed weapon permits	3,000	3,000	2,310	(690)	4,900
Beer and wine permits	2,000	2,000	2,855	855	2,320
Other	4,000	4,000	3,085	(915)	5,015
	<u>1,174,878</u>	<u>1,176,378</u>	<u>1,489,019</u>	<u>312,641</u>	<u>1,548,003</u>
Sales and services:					
Collection fees - tax	123,600	123,600	140,404	16,804	124,623
Fire inspection fees	45,000	45,000	56,179	11,179	55,162
Sheriff	16,900	16,900	49,125	32,225	24,821
Erosion control	44,743	44,743	-	(44,743)	-
Social services	20,000	20,000	32,763	12,763	90,763
Planning fees	45,000	45,000	122,754	77,754	117,993
Health	1,163,050	1,174,591	1,175,270	679	970,892
Library	20,000	20,000	26,388	6,388	24,932
Recreation	31,000	31,000	34,739	3,739	33,067
Charges to other funds	156,070	156,070	-	(156,070)	118,088
Other	21,700	21,700	36,895	15,195	35,270
	<u>1,687,063</u>	<u>1,698,604</u>	<u>1,674,517</u>	<u>(24,087)</u>	<u>1,595,611</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
REVENUES (Continued)					
Investment earnings:					
Interest on investments	\$ 155,000	\$ 155,000	\$ 477,936	\$ 322,936	\$ 194,234
Other general revenues:					
Rent	45,329	45,329	46,994	1,665	47,345
Contributions and donations	147,172	174,989	234,612	59,623	198,356
Other	1,500	2,908	25,481	22,573	20,835
	<u>194,001</u>	<u>223,226</u>	<u>307,087</u>	<u>83,861</u>	<u>266,536</u>
Total revenues	<u>50,912,725</u>	<u>53,143,389</u>	<u>55,566,360</u>	<u>2,422,971</u>	<u>52,233,632</u>
EXPENDITURES:					
General government:					
Governing body:					
Salaries and employee benefits	223,635	223,635	215,433	8,202	209,844
Other operating expenditures	79,898	84,973	82,623	2,350	92,254
Capital outlay	-	11,000	8,979	2,021	-
	<u>303,533</u>	<u>319,608</u>	<u>307,035</u>	<u>12,573</u>	<u>302,098</u>
County manager:					
Salaries and employee benefits	311,011	311,011	308,741	2,270	367,548
Other operating expenditures	56,642	56,823	34,753	22,070	33,289
Capital outlay	-	-	-	-	2,675
	<u>367,653</u>	<u>367,834</u>	<u>343,494</u>	<u>24,340</u>	<u>403,512</u>
General services:					
Other operating expenditures	260,262	155,727	47,372	108,355	47,255
Capital outlay	146,000	108,369	-	108,369	103
	<u>406,262</u>	<u>264,096</u>	<u>47,372</u>	<u>216,724</u>	<u>47,358</u>
Elections:					
Salaries and employee benefits	123,974	148,830	149,301	(471)	104,485
Other operating expenditures	111,936	148,656	125,783	22,873	39,937
Capital outlay	4,680	2,749	2,749	-	-
	<u>240,590</u>	<u>300,235</u>	<u>277,833</u>	<u>22,402</u>	<u>144,422</u>
Finance:					
Salaries and employee benefits	417,798	417,798	417,013	785	399,038
Other operating expenditures	109,268	103,268	93,470	9,798	112,110
Capital outlay	65,000	71,000	58,034	12,966	-
	<u>592,066</u>	<u>592,066</u>	<u>568,517</u>	<u>23,549</u>	<u>511,148</u>
Information Services:					
Salaries and employee benefits	400,081	404,231	387,981	16,250	330,863
Other operating expenditures	144,367	186,787	174,707	12,080	114,716
Capital outlay	10,000	125,626	126,414	(788)	29,597
	<u>554,448</u>	<u>716,644</u>	<u>689,102</u>	<u>27,542</u>	<u>475,176</u>
Tax Administration:					
Salaries and employee benefits	391,133	391,233	392,638	(1,405)	372,666
Other operating expenditures	182,450	242,950	225,070	17,880	166,977
Capital outlay	-	4,400	5,000	(600)	-
	<u>573,583</u>	<u>638,583</u>	<u>622,708</u>	<u>15,875</u>	<u>539,643</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
EXPENDITURES (Continued)					
General government (Continued)					
GIS:					
Salaries and employee benefits	\$ 90,067	\$ 90,067	\$ 88,369	\$ 1,698	\$ 86,554
Other operating expenditures	9,747	9,747	5,834	3,913	4,238
	<u>99,814</u>	<u>99,814</u>	<u>94,203</u>	<u>5,611</u>	<u>90,792</u>
Revaluation:					
Salaries and employee benefits	192,530	193,630	197,688	(4,058)	184,934
Other operating expenditures	129,964	128,864	102,215	26,649	72,745
Capital outlay	-	-	-	-	11,866
	<u>322,494</u>	<u>322,494</u>	<u>299,903</u>	<u>22,591</u>	<u>269,545</u>
Legal:					
Other operating expenditures:					
Legal services - retainer	62,000	62,000	62,000	-	36,000
Other	500	500	120	380	-
	<u>62,500</u>	<u>62,500</u>	<u>62,120</u>	<u>380</u>	<u>36,000</u>
Register of deeds:					
Salaries and employee benefits	292,387	302,154	299,996	2,158	277,026
Other operating expenditures	124,476	158,841	104,721	54,120	145,668
	<u>416,863</u>	<u>460,995</u>	<u>404,717</u>	<u>56,278</u>	<u>422,694</u>
Facilities management:					
Salaries and employee benefits	312,348	312,548	281,949	30,599	289,118
Other operating expenditures	712,820	712,419	536,308	176,111	434,548
	<u>1,025,168</u>	<u>1,024,967</u>	<u>818,257</u>	<u>206,710</u>	<u>723,666</u>
Court related expenses:					
Operating expenditures	57,500	70,616	54,646	15,970	44,524
Garage:					
Salaries and employee benefits	83,778	83,778	83,845	(67)	82,099
Operating expenditures	27,607	27,657	22,548	5,109	13,287
Capital outlay	141,995	166,185	138,098	28,087	10,650
	<u>253,380</u>	<u>277,620</u>	<u>244,491</u>	<u>33,129</u>	<u>106,036</u>
Total general government	<u>5,275,854</u>	<u>5,518,072</u>	<u>4,834,398</u>	<u>683,674</u>	<u>4,116,614</u>
Public safety:					
Sheriff:					
Salaries and employee benefits	2,964,770	2,973,278	2,927,257	46,021	2,640,799
Other operating expenditures	424,062	509,688	487,852	21,836	435,939
Capital outlay	290,000	268,309	268,308	1	148,247
	<u>3,678,832</u>	<u>3,751,275</u>	<u>3,683,417</u>	<u>67,858</u>	<u>3,224,985</u>
Telecommunications:					
Salaries and employee benefits	666,599	671,533	621,470	50,063	574,668
Other operating expenditures	102,496	106,096	73,228	32,868	77,110
Capital outlay	-	-	-	-	4,300
	<u>769,095</u>	<u>777,629</u>	<u>694,698</u>	<u>82,931</u>	<u>656,078</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)					
Public safety: (Continued)					
Jail:					
Salaries and employee benefits	\$ 635,661	\$ 635,661	\$ 614,104	\$ 21,557	\$ 563,544
Other operating expenditures	203,902	204,401	150,038	54,363	232,716
Capital outlay	-	26,300	26,300	-	-
	<u>839,563</u>	<u>866,362</u>	<u>790,442</u>	<u>75,920</u>	<u>796,260</u>
Pension trust fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Emergency operations:					
Salaries and employee benefits	155,140	158,141	158,802	(661)	152,236
Other operating expenditures	227,923	369,759	295,367	74,392	242,412
Capital outlay	-	127,881	127,744	137	13,367
	<u>383,063</u>	<u>655,781</u>	<u>581,913</u>	<u>73,868</u>	<u>408,015</u>
Inspections:					
Salaries and employee benefits	469,904	450,634	449,010	1,624	466,048
Other operating expenditures	61,985	57,535	35,599	21,936	37,080
Capital outlay	40,800	40,800	18,372	22,428	-
	<u>572,689</u>	<u>548,969</u>	<u>502,981</u>	<u>45,988</u>	<u>503,128</u>
Fire Inspections:					
Salaries and employee benefits	182,122	201,392	200,595	797	184,309
Other operating expenditures	19,535	23,098	20,688	2,410	16,625
Capital Outlay	45,418	23,415	21,171	2,244	-
	<u>247,075</u>	<u>247,905</u>	<u>242,454</u>	<u>5,451</u>	<u>200,934</u>
Emergency medical service:					
Other operating expenditures	51,254	51,254	6,762	44,492	4,783
Assistance to county rescue squads	105,600	105,600	105,600	-	105,600
Contracted services - out of county	1,282,464	1,282,464	1,282,464	-	1,257,462
	<u>1,439,318</u>	<u>1,439,318</u>	<u>1,394,826</u>	<u>44,492</u>	<u>1,367,845</u>
Court programs:					
Salaries and employee benefits	215,923	215,950	216,918	(968)	205,408
Other operating expenditures	275,828	285,801	255,724	30,077	246,987
	<u>491,751</u>	<u>501,751</u>	<u>472,642</u>	<u>29,109</u>	<u>452,395</u>
Total public safety	<u>8,471,386</u>	<u>8,838,990</u>	<u>8,413,373</u>	<u>425,617</u>	<u>7,659,640</u>
Economic and physical development:					
Planning:					
Salaries and employee benefits	285,259	285,259	265,696	19,563	221,303
Other operating expenditures	32,816	37,816	34,323	3,493	17,953
	<u>318,075</u>	<u>323,075</u>	<u>300,019</u>	<u>23,056</u>	<u>239,256</u>
Central permitting:					
Salaries and employee benefits	192,753	192,753	149,361	43,392	133,089
Other operating expenditures	35,275	35,275	18,325	16,950	19,432
	<u>228,028</u>	<u>228,028</u>	<u>167,686</u>	<u>60,342</u>	<u>152,521</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
EXPENDITURES (Continued)					
Economic and physical development: (Continued)					
Erosion Control:					
Salaries and employee benefits	\$ 49,494	\$ 49,494	\$ 5,645	\$ 43,849	\$ -
Other operating expenditures	11,075	9,075	-	9,075	-
Capital outlay	14,000	14,000	-	14,000	-
	<u>74,569</u>	<u>72,569</u>	<u>5,645</u>	<u>66,924</u>	<u>-</u>
Economic development:					
Other operating expenditures	<u>164,891</u>	<u>169,709</u>	<u>164,860</u>	<u>4,849</u>	<u>169,923</u>
County extension:					
Salaries and employee benefits	-	-	7,933	(7,933)	9,620
Other operating expenditures	262,857	262,857	239,651	23,206	209,710
Capital outlay	-	-	-	-	8,471
	<u>262,857</u>	<u>262,857</u>	<u>247,584</u>	<u>15,273</u>	<u>227,801</u>
Soil and water conservation:					
Salaries and employee benefits	158,724	158,747	158,973	(226)	150,929
Other operating expenditures	16,347	30,025	17,468	12,557	11,287
	<u>175,071</u>	<u>188,772</u>	<u>176,441</u>	<u>12,331</u>	<u>162,216</u>
Travel and tourism:					
Salaries and employee benefits	61,714	61,714	62,216	(502)	58,561
Other operating expenditures	24,662	24,662	21,144	3,518	27,266
	<u>86,376</u>	<u>86,376</u>	<u>83,360</u>	<u>3,016</u>	<u>85,827</u>
Total economic and physical development					
	<u>1,309,867</u>	<u>1,331,386</u>	<u>1,145,595</u>	<u>185,791</u>	<u>1,037,544</u>
Human services:					
Health:					
Salaries and employee benefits	4,077,025	4,029,919	3,744,679	285,240	3,408,459
Other operating expenditures	1,000,893	1,276,588	1,069,915	206,673	906,775
Capital outlay	55,900	62,805	44,370	18,435	28,122
	<u>5,133,818</u>	<u>5,369,312</u>	<u>4,858,964</u>	<u>510,348</u>	<u>4,343,356</u>
Mental health:					
Mental health appropriation	380,418	380,418	380,418	-	379,635
Other expenditures	138,136	144,136	142,585	1,551	140,773
	<u>518,554</u>	<u>524,554</u>	<u>523,003</u>	<u>1,551</u>	<u>520,408</u>
Council on Aging:					
Salaries and employee benefits	118,897	118,897	119,179	(282)	116,418
Other operating expenditures	3,350	3,350	3,350	-	826
Council on Aging - current appropriation	469,203	469,203	470,921	-	448,417
	<u>591,450</u>	<u>591,450</u>	<u>593,450</u>	<u>(282)</u>	<u>565,661</u>
Social services:					
Administration:					
Salaries and employee benefits	3,215,200	3,281,520	3,170,429	111,091	2,945,724
Other operating expenditures	597,501	825,764	750,171	75,593	523,787
Capital outlay	-	214,225	168,910	45,315	-
	<u>3,812,701</u>	<u>4,321,509</u>	<u>4,089,510</u>	<u>231,999</u>	<u>3,469,511</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
EXPENDITURES: (Continued)					
Human services: (Continued)					
Social services: (Continued)					
Public assistance:					
Special assistance to adults	\$ 400,000	\$ 400,000	\$ 381,109	\$ 18,891	\$ 381,213
Day care	1,772,107	1,780,205	1,760,211	19,994	1,784,568
Foster Care - IV E	249,980	249,980	264,167	(14,187)	250,140
Medical assistance	2,050,000	2,050,000	1,815,846	234,154	1,637,327
State foster home fund	410,020	373,020	286,735	86,285	424,654
Other assistance programs	472,908	479,281	405,284	73,997	405,709
	<u>5,355,015</u>	<u>5,332,486</u>	<u>4,913,352</u>	<u>419,134</u>	<u>4,883,611</u>
Total social services	<u>9,167,716</u>	<u>9,653,995</u>	<u>9,002,862</u>	<u>651,133</u>	<u>8,353,122</u>
Family resource center:					
Salaries and employee benefits	60,541	60,568	60,692	(124)	-
Other operating expenditures	3,500	4,700	396	4,304	-
	<u>64,041</u>	<u>65,268</u>	<u>61,088</u>	<u>4,180</u>	<u>-</u>
Appropriations to nonprofit agencies:					
Appropriations	<u>246,562</u>	<u>1,257,124</u>	<u>1,263,608</u>	<u>(6,484)</u>	<u>1,065,525</u>
Total human services	<u>15,722,141</u>	<u>17,461,703</u>	<u>16,302,975</u>	<u>1,160,446</u>	<u>14,848,072</u>
Cultural and recreational:					
Library:					
Salaries and employee benefits	408,372	442,388	440,633	1,755	408,574
Other operating expenditures	340,558	316,528	271,078	45,450	286,172
Capital outlay	1,000	1,000	-	1,000	-
	<u>749,930</u>	<u>759,916</u>	<u>711,711</u>	<u>48,205</u>	<u>694,746</u>
Recreation:					
Salaries and employee benefits	153,290	153,290	124,906	28,384	124,512
Other operating expenditures	163,450	163,950	159,131	4,819	132,831
Capital outlay	-	-	73,235	(73,235)	-
	<u>316,740</u>	<u>317,240</u>	<u>357,272</u>	<u>(40,032)</u>	<u>257,343</u>
Appropriations to non profit agencies	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Total cultural and recreational	<u>1,071,670</u>	<u>1,082,156</u>	<u>1,073,983</u>	<u>8,173</u>	<u>952,089</u>
Education:					
Public school:					
Current expense	17,211,614	17,259,614	17,256,280	3,334	16,568,432
Capital outlay	761,009	761,009	685,308	75,701	158,299
	<u>17,972,623</u>	<u>18,020,623</u>	<u>17,941,588</u>	<u>79,035</u>	<u>16,726,731</u>
Community college:					
Current expense	314,124	314,124	314,124	-	313,172
Arts incubator	48,620	48,620	48,620	-	48,200
Capital outlay	200,000	200,000	-	200,000	-
	<u>562,744</u>	<u>562,744</u>	<u>362,744</u>	<u>200,000</u>	<u>361,372</u>
Total education	<u>18,535,367</u>	<u>18,583,367</u>	<u>18,304,332</u>	<u>279,035</u>	<u>17,088,103</u>
Debt service:					
Public schools:					
Public schools - principal	1,779,363	1,888,920	1,888,919	1	1,786,037
Public schools - interest	960,785	851,228	765,660	85,568	1,038,982
	<u>2,740,148</u>	<u>2,740,148</u>	<u>2,654,579</u>	<u>85,569</u>	<u>2,825,019</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
EXPENDITURES (Continued)					
Debt service: (Continued)					
Community college:					
Community college - principal	\$ 55,955	\$ 55,955	\$ 55,955	\$ -	\$ 34,656
Community college - interest	17,958	17,958	17,958	-	18,998
	<u>73,913</u>	<u>73,913</u>	<u>73,913</u>	<u>-</u>	<u>53,654</u>
General:					
General building projects - principal	120,000	120,000	120,000	-	240,000
General building projects - interest	2,029	2,030	2,030	-	12,177
Capital lease - principal	39,056	39,056	39,055	1	40,209
Capital lease - interest	4,264	4,264	1,919	2,345	1,882
	<u>165,349</u>	<u>165,350</u>	<u>163,004</u>	<u>2,346</u>	<u>294,268</u>
Bond issuance costs	-	-	-	-	158,669
Total debt service	<u>2,979,410</u>	<u>2,979,411</u>	<u>2,891,496</u>	<u>87,915</u>	<u>3,331,610</u>
Contingency	<u>75,000</u>	<u>14,784</u>	<u>-</u>	<u>14,784</u>	<u>-</u>
Total expenditures	<u>53,440,695</u>	<u>55,809,869</u>	<u>52,966,152</u>	<u>2,845,435</u>	<u>49,033,672</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,527,970)</u>	<u>(2,666,480)</u>	<u>2,600,208</u>	<u>(422,464)</u>	<u>3,199,960</u>
OTHER FINANCING SOURCES (USES):					
Transfers from (to) other funds:					
Special revenue funds:					
Revaluation	-	-	-	-	20,000
Equipment Capital Reserve	-	-	-	-	37,377
Transfers in	305,418	473,276	473,276	-	-
Transfers out	(500,000)	(500,000)	(500,000)	-	-
Industrial reserve	-	-	-	-	10,000
Forfeited property	-	-	-	-	20,531
School Capital Reserve	181,707	181,707	181,707	-	-
Impact Fees	322,465	322,465	250,210	(72,255)	158,299
Enhanced 911	-	-	-	-	(88,836)
Personnel Savings:					
Transfers in	194,578	194,578	194,578	-	-
Transfers out	-	(400,000)	(400,000)	-	(472,403)
Economic and community development	-	-	-	-	(43,811)
Capital project funds:					
Imaging project	-	-	(100,000)	(100,000)	-
Southwest Chatham Park	-	-	-	-	(250,000)
Enterprise funds:					
Utility Fund	(500,000)	(500,000)	(510,000)	10,000	(500,000)
Total	<u>4,168</u>	<u>(227,974)</u>	<u>(410,229)</u>	<u>(162,255)</u>	<u>(1,108,843)</u>
Debt proceeds:					
Proceeds from refunding debt:					
Par value of bonds	-	-	-	-	10,305,000
Reoffering premium	-	-	-	-	235,010
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,540,010</u>
Payment to refunded debt escrow agent	-	-	-	-	(10,376,316)
Capital proceeds - capital lease	-	-	73,235	(73,235)	-
Total other financing sources (uses)	<u>4,168</u>	<u>(227,974)</u>	<u>(336,994)</u>	<u>(235,490)</u>	<u>(945,149)</u>

(Continued)

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, 2005 (With Comparative Amounts for 2004)

	Original Budget	Final Budget	2005 Actual	Variance Positive (Negative)	2004 Actual
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (2,523,802)	\$ (2,894,454)	\$ 2,263,214	\$ (5,157,668)	\$ 2,254,811
APPROPRIATED FUND BALANCE	<u>2,523,802</u>	<u>2,894,454</u>	<u>-</u>	<u>(2,894,454)</u>	<u>-</u>
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	2,263,214	<u>\$ 2,263,214</u>	2,254,811
FUND BALANCE, BEGINNING OF YEAR:			<u>19,597,084</u>		<u>17,342,273</u>
FUND BALANCE, END OF YEAR			<u>\$ 21,860,298</u>		<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, 2005 (With Comparative Amounts for 2004)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>2005 Actual</u>	<u>Variance Positive (Negative)</u>	<u>2004 Actual</u>
REVENUES:					
Permits and fees	\$ 866,000	\$ 866,000	\$ 1,237,187	\$ 371,187	\$ 1,118,000
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>98,584</u>	<u>78,584</u>	<u>45,715</u>
Total revenues	886,000	886,000	1,335,771	449,771	1,163,715
EXPENDITURES:					
Education	<u>3,697,642</u>	<u>3,697,642</u>	<u>-</u>	<u>3,697,642</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,811,642)	(2,811,642)	1,335,771	4,147,413	1,163,715
OTHER FINANCING USES:					
Transfers to other funds:					
General Fund	<u>(322,465)</u>	<u>(322,465)</u>	<u>(250,210)</u>	<u>72,255</u>	<u>(158,299)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,134,107)	(3,134,107)	1,085,561	4,219,668	1,005,416
APPROPRIATED FUND BALANCE	<u>3,134,107</u>	<u>3,134,107</u>	<u>-</u>	<u>(3,134,107)</u>	<u>-</u>
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	1,085,561	<u>\$ 1,085,561</u>	1,005,416
FUND BALANCE, BEGINNING OF YEAR			<u>3,436,310</u>		<u>2,430,894</u>
FUND BALANCE, END OF YEAR			<u>\$ 4,521,871</u>		<u>\$ 3,436,310</u>