

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Primary Government			Chatham County Board of Alcoholic Beverage Control
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
<b>Current assets:</b>				
Cash, cash equivalents and investments	\$ 58,679,661	\$ 15,072,862	\$ 73,752,523	\$ 545,003
Property taxes receivable, net	2,069,658	1,288,433	3,358,091	-
Accounts receivable, net	438,983	-	438,983	2,161
Due from other governments	4,746,786	294,219	5,041,005	-
Other receivables	-	101,027	101,027	-
Inventories	-	-	-	211,397
Net pension asset	101,739	-	101,739	-
Prepaid expenses	-	-	-	11,814
Total current assets	<u>66,036,827</u>	<u>16,756,541</u>	<u>82,793,368</u>	<u>770,375</u>
<b>Capital assets:</b>				
Land, improvements and construction in progress	22,691,971	14,304,972	36,996,943	15,299
Other capital assets, net of depreciation	8,052,845	24,602,313	32,655,158	-
Total capital assets	<u>30,744,816</u>	<u>38,907,285</u>	<u>69,652,101</u>	<u>15,299</u>
Total assets	<u>96,781,643</u>	<u>55,663,826</u>	<u>152,445,469</u>	<u>785,674</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	4,398,065	3,042,681	7,440,746	184,322
Customer deposits	-	228,019	228,019	-
Unearned revenues	370,201	-	370,201	-
Compensated absences - current	773,602	55,856	829,458	-
Debt obligations - current	1,867,123	451,494	2,318,617	-
Total current liabilities	<u>7,408,991</u>	<u>3,778,050</u>	<u>11,187,041</u>	<u>184,322</u>
<b>Noncurrent liabilities:</b>				
Compensated absences - noncurrent	384,779	36,491	421,270	-
Debt obligations - noncurrent	49,116,730	6,992,659	56,109,389	-
Total noncurrent liabilities	<u>49,501,509</u>	<u>7,029,150</u>	<u>56,530,659</u>	<u>-</u>
Total liabilities	<u>56,910,500</u>	<u>10,807,200</u>	<u>67,717,700</u>	<u>184,322</u>
<b>Net Assets:</b>				
Investment in capital assets, net of related debt	7,741,414	31,463,132	39,204,546	15,299
<b>Restricted for:</b>				
Register of Deeds	57,375	-	57,375	-
Courthouse clocks	61,213	-	61,213	-
Education	9,628,220	-	9,628,220	-
Unrestricted	<u>22,382,921</u>	<u>13,393,494</u>	<u>35,776,415</u>	<u>586,053</u>
Total net assets	<u>\$ 39,871,143</u>	<u>\$ 44,856,626</u>	<u>\$ 84,727,769</u>	<u>\$ 601,352</u>

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

CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 14,749,712	\$ 2,111,099	\$ 37,000	\$ 300,000
Public safety	13,108,924	1,341,927	1,399,850	40,760
Economic and physical development	1,457,224	130,038	187,132	-
Human services	14,917,605	1,431,842	6,743,573	-
Cultural and recreational	1,166,711	74,336	434,340	669,408
Education	17,406,676	-	4,681,750	-
Interest on long-term debt	2,245,981	-	-	-
Total governmental activities	<u>65,052,833</u>	<u>5,089,242</u>	<u>13,483,645</u>	<u>1,010,168</u>
<b>Business-Type Activities:</b>				
Utility	4,652,320	7,061,858	-	224,199
Solid waste management	2,403,738	2,551,646	29,179	-
Total business-type activities	<u>7,056,058</u>	<u>9,613,504</u>	<u>29,179</u>	<u>224,199</u>
Total primary government	<u>\$ 72,108,891</u>	<u>\$ 14,702,746</u>	<u>\$ 13,512,824</u>	<u>\$ 1,234,367</u>
<b>Component Unit:</b>				
Chatham County Board of Alcoholic Beverage Control	<u>\$ 1,449,258</u>	<u>\$ 1,562,328</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

Taxes:

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

Transfers

Total general revenues and transfers

Change in net assets

**Net Assets:**

Net assets - beginning

Net assets - ending

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

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			<u>Chatham County Board of Alcoholic Beverage Control</u>
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ (12,301,613)	\$ -	\$ (12,301,613)	
(10,326,387)	-	(10,326,387)	
(1,140,054)	-	(1,140,054)	
(6,742,190)	-	(6,742,190)	
11,373	-	11,373	
(12,724,926)	-	(12,724,926)	
(2,245,981)	-	(2,245,981)	
<u>(45,469,778)</u>	<u>-</u>	<u>(45,469,778)</u>	
-	2,633,737	2,633,737	
-	177,087	177,087	
-	<u>2,810,824</u>	<u>2,810,824</u>	
<u>(45,469,778)</u>	<u>2,810,824</u>	<u>(42,658,954)</u>	
			<u>\$ 113,070</u>
44,168,586	-	44,168,586	-
12,116,870	-	12,116,870	-
1,275,472	-	1,275,472	-
302,038	-	302,038	-
3,005,627	544,222	3,549,849	1,113
<u>(13,188,302)</u>	<u>13,188,302</u>	<u>-</u>	<u>-</u>
<u>47,680,291</u>	<u>13,732,524</u>	<u>61,412,815</u>	<u>1,113</u>
2,210,513	16,543,348	18,753,861	114,183
<u>37,660,630</u>	<u>28,313,278</u>	<u>65,973,908</u>	<u>487,169</u>
<u>\$ 39,871,143</u>	<u>\$ 44,856,626</u>	<u>\$ 84,727,769</u>	<u>\$ 601,352</u>

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

## CHATHAM COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Major Funds			Total Nonmajor Funds	Total Governmental Funds
	General	Impact Fees	School Construction Fund		
<b>Assets:</b>					
Cash, cash equivalents and investments	\$ 19,245,737	\$ 9,579,758	\$ 8,684,389	\$ 19,017,293	\$ 56,527,177
Taxes receivable, net	1,903,905	-	-	165,753	2,069,658
Due from other governments	4,432,445	-	222,453	91,888	4,746,786
Other receivables	300,327	48,462	1,063	72,585	422,437
Total assets	\$ 25,882,414	\$ 9,628,220	\$ 8,907,905	\$ 19,347,519	\$ 63,766,058
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,764,821	\$ -	\$ 1,791,448	\$ 753,096	\$ 4,309,365
Unearned revenue	342,521	-	-	27,680	370,201
Deferred revenue	1,945,989	-	-	165,753	2,111,742
Total liabilities	4,053,331	-	1,791,448	946,529	6,791,308
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Reserved by State statute	4,690,687	48,462	-	103,363	4,842,512
Reserved for Register of Deeds	57,375	-	-	-	57,375
Reserved for courthouse clocks	-	-	-	61,213	61,213
<b>Unreserved:</b>					
Designated for subsequent year's expenditures:					
General Fund	5,914,568	-	-	-	5,914,568
Impact Fees Fund	-	8,700,000	-	-	8,700,000
Designated for subsequent year's expenditures, reported in nonmajor funds:					
Special Revenue funds	-	-	-	10,058,496	10,058,496
Unreserved, reported in:					
General Fund	11,166,453	-	-	-	11,166,453
Impact Fees Fund	-	879,758	-	-	879,758
Unreserved, reported in non-major funds:					
Special Revenue funds	-	-	-	3,079,987	3,079,987
Capital Project funds	-	-	7,116,457	5,097,931	12,214,388
Total fund balances	21,829,083	9,628,220	7,116,457	18,400,990	56,974,750
Total liabilities and fund balances	\$ 25,882,414	\$ 9,628,220	\$ 8,907,905	\$ 19,347,519	\$ 63,766,058

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Fund balance as reported in the balance sheet - governmental funds	\$ 56,974,750
Assets that are not available to pay for current period expenditures are not recorded in the funds.	
Prepaid asset for net pension obligation is not a current financial resource and, therefore, is not reported in the funds.	101,739
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,744,816
Deferred charges relating to the advance refunding bond issue to be amortized and reported in the funds as expenditures.	
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.	2,080,330
Liabilities for earned but deferred revenues in fund statements.	2,111,742
Compensated absences not expected to be materially liquidated with expendable available resources.	(1,158,381)
Long-term liabilities, including bonds payable and installment purchases, are not due and payable in the current period and, therefore, are not reported in the funds.	(50,983,853)
Net assets of governmental activities	\$ 39,871,143

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Major Funds			Total Nonmajor Funds	Total Governmental Funds
	General	Impact Fees	School Construction		
<b>Revenues:</b>					
Ad valorem taxes	\$ 40,241,035	\$ -	\$ -	\$ 3,936,140	\$ 44,177,175
Local option sales tax	12,116,870	-	-	-	12,116,870
Other taxes	988,954	-	-	286,518	1,275,472
Unrestricted intergovernmental	302,038	-	-	-	302,038
Restricted intergovernmental	9,769,301	-	-	394,328	10,163,629
Permits and fees	1,582,095	2,833,500	-	656,908	5,072,503
Sales and services	2,518,975	-	-	-	2,518,975
Investment earnings	1,136,235	385,827	-	1,338,870	2,860,932
Other general revenues	701,984	-	-	33,083	735,067
Total revenues	<u>69,357,487</u>	<u>3,219,327</u>	<u>-</u>	<u>6,645,847</u>	<u>79,222,661</u>
<b>Expenditures:</b>					
Current:					
General government	5,866,678	-	-	2,336,452	8,203,130
Public safety	10,095,592	-	-	4,601,064	14,696,656
Economic and physical development	1,511,895	-	-	164,950	1,676,845
Human services	17,431,447	-	-	-	17,431,447
Cultural and recreational	1,208,875	-	-	152,009	1,360,884
Intergovernmental:					
Education	21,559,284	-	15,343,949	-	36,903,233
Debt service:					
Principal retirement	1,897,335	-	-	-	1,897,335
Interest and fees	2,396,306	-	-	-	2,396,306
Total expenditures	<u>61,967,412</u>	<u>-</u>	<u>15,343,949</u>	<u>7,254,475</u>	<u>84,565,836</u>
Revenues over (under) expenditures	<u>7,390,075</u>	<u>3,219,327</u>	<u>(15,343,949)</u>	<u>(608,628)</u>	<u>(5,343,175)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from (to) other funds	(9,560,927)	(58,400)	-	(3,568,975)	(13,188,302)
Debt obligations issued	-	-	22,555,911	13,659,765	36,215,676
Total other financing sources (uses)	<u>(9,560,927)</u>	<u>(58,400)</u>	<u>22,555,911</u>	<u>10,090,790</u>	<u>23,027,374</u>
Net change in fund balances	(2,170,852)	3,160,927	7,211,962	9,482,162	17,684,199
<b>Fund Balances:</b>					
Beginning of year - July 1	23,999,935	6,467,293	(95,505)	8,918,828	39,290,551
End of year - June 30	<u>\$ 21,829,083</u>	<u>\$ 9,628,220</u>	<u>\$ 7,116,457</u>	<u>\$ 18,400,990</u>	<u>\$ 56,974,750</u>

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

**CHATHAM COUNTY, NORTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007**

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

Net changes in fund balances - total governmental funds	\$ 17,684,199
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.	17,974,994
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.	(33,497,666)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements.	(521,613)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund statements.	(35,576)
Net revenue of the Self-Insurance Internal Service Fund determined to be governmental-type.	<u>606,175</u>
Total change in net assets of governmental activities	<u>\$ 2,210,513</u>

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

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CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND  
 ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
 FOR THE YEAR ENDED JUNE 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 38,365,052	\$ 38,665,052	\$ 40,241,035	\$ 1,575,983
Local option sales tax	11,064,892	11,064,892	12,116,870	1,051,978
Other taxes	651,033	651,033	988,954	337,921
Unrestricted intergovernmental	285,000	285,000	302,038	17,038
Restricted intergovernmental	8,095,574	8,996,153	9,769,301	773,148
Permits and fees	1,410,500	1,410,500	1,582,095	171,595
Sales and services	2,081,484	2,081,484	2,518,975	437,491
Investment earnings	670,000	670,000	1,136,235	466,235
Other general revenues	217,006	238,162	701,984	463,822
Total revenues	<u>62,840,541</u>	<u>64,062,276</u>	<u>69,357,487</u>	<u>5,295,211</u>
<b>Expenditures:</b>				
Current:				
General government	6,011,688	6,765,696	5,866,678	899,018
Public safety	10,140,224	10,578,976	10,095,592	483,384
Economic and physical development	1,575,746	1,805,079	1,511,895	293,184
Human services	18,475,766	19,469,247	17,431,447	2,037,800
Cultural and recreational	1,225,893	1,278,779	1,208,875	69,904
Intergovernmental:				
Education	21,879,146	21,886,860	21,559,284	327,576
Debt service:				
Principal retirement	1,904,874	1,913,033	1,897,335	15,698
Interest and fees	620,581	2,389,795	2,396,306	(6,511)
Total expenditures	<u>61,833,918</u>	<u>66,087,465</u>	<u>61,967,412</u>	<u>4,120,053</u>
Revenues over (under) expenditures	<u>1,006,623</u>	<u>(2,025,189)</u>	<u>7,390,075</u>	<u>9,415,264</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	983,983	983,983	1,294,446	310,463
Transfers to other funds	(10,281,981)	(10,286,981)	(10,855,373)	(568,392)
Proceeds from borrowing	-	820,676	-	(820,676)
Appropriated fund balance	8,291,375	10,507,511	-	(10,507,511)
Total other financing sources (uses)	<u>(1,006,623)</u>	<u>2,025,189</u>	<u>(9,560,927)</u>	<u>(11,586,116)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,170,852)</u>	<u>\$ (2,170,852)</u>
<b>Fund Balances:</b>				
Beginning of year - July 1			<u>23,999,935</u>	
End of year - June 30			<u>\$ 21,829,083</u>	

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

Exhibit F

Impact Fees Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Over/Under
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
1,985,000	1,985,000	2,833,500	848,500
90,000	90,000	385,827	295,827
-	-	-	-
<u>2,075,000</u>	<u>2,075,000</u>	<u>3,219,327</u>	<u>1,144,327</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
8,382,312	8,382,312	-	8,382,312
-	-	-	-
<u>8,382,312</u>	<u>8,382,312</u>	<u>-</u>	<u>8,382,312</u>
<u>(6,307,312)</u>	<u>(6,307,312)</u>	<u>3,219,327</u>	<u>9,526,639</u>
-	-	-	-
(60,000)	(60,000)	(58,400)	1,600
-	-	-	-
<u>6,367,312</u>	<u>6,367,312</u>	<u>-</u>	<u>(6,367,312)</u>
<u>6,307,312</u>	<u>6,307,312</u>	<u>(58,400)</u>	<u>(6,365,712)</u>
\$ -	\$ -	3,160,927	\$ 3,160,927
		<u>6,467,293</u>	
		<u>\$ 9,628,220</u>	

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	<u>Business-Type Activities - Enterprise</u>			<u>Governmental</u>
	<u>Utility</u>	<u>Solid Waste</u> <u>Management</u>	<u>Total</u>	<u>Self-Insurance</u> <u>Internal Service</u>
<b>Assets:</b>				
<b>Current assets:</b>				
Cash, cash equivalents and investments	\$ 12,556,349	\$ 2,516,513	\$ 15,072,862	\$ 2,152,484
Receivables, net	1,182,614	105,819	1,288,433	-
Due from other governments	258,864	35,355	294,219	-
Other receivables	85,599	15,428	101,027	16,546
Total current assets	<u>14,083,426</u>	<u>2,673,115</u>	<u>16,756,541</u>	<u>2,169,030</u>
<b>Capital assets:</b>				
Land, improvements and construction in progress	13,784,671	520,301	14,304,972	-
Other capital assets, net of depreciation	<u>23,751,555</u>	<u>850,758</u>	<u>24,602,313</u>	-
Total capital assets, net	<u>37,536,226</u>	<u>1,371,059</u>	<u>38,907,285</u>	-
Total assets	<u>\$ 51,619,652</u>	<u>\$ 4,044,174</u>	<u>\$ 55,663,826</u>	<u>\$ 2,169,030</u>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 2,950,372	\$ 92,309	\$ 3,042,681	\$ 88,700
Customer deposits	225,769	2,250	228,019	-
Compensated absences payable - current	23,391	32,465	55,856	-
Installment notes payable - current	<u>451,494</u>	-	<u>451,494</u>	-
Total current liabilities	<u>3,651,026</u>	<u>127,024</u>	<u>3,778,050</u>	<u>88,700</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable - noncurrent	36,491	-	36,491	-
Installment notes payable - noncurrent	<u>6,992,659</u>	-	<u>6,992,659</u>	-
Total noncurrent liabilities	<u>7,029,150</u>	-	<u>7,029,150</u>	-
Total liabilities	<u>10,680,176</u>	<u>127,024</u>	<u>10,807,200</u>	<u>88,700</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	30,092,073	1,371,059	31,463,132	-
Unrestricted	<u>10,847,403</u>	<u>2,546,091</u>	<u>13,393,494</u>	<u>2,080,330</u>
Total net assets	<u>\$ 40,939,476</u>	<u>\$ 3,917,150</u>	<u>\$ 44,856,626</u>	<u>\$ 2,080,330</u>

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities - Enterprise</u>			<u>Governmental</u>
	<u>Utility</u>	<u>Solid Waste</u> <u>Management</u>	<u>Total</u>	<u>Activities</u> <u>Self-Insurance</u> <u>Internal Service</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 7,015,136	\$ 2,468,868	\$ 9,484,004	\$ 3,548,459
Other operating revenues	46,722	82,786	129,508	-
Total operating revenues	<u>7,061,858</u>	<u>2,551,654</u>	<u>9,613,512</u>	<u>3,548,459</u>
<b>Operating Expenses:</b>				
Operating expenses	3,135,543	2,174,441	5,309,984	3,086,979
Depreciation and amortization	692,229	229,297	921,526	-
Total operating expenses	<u>3,827,772</u>	<u>2,403,738</u>	<u>6,231,510</u>	<u>3,086,979</u>
<b>Operating Income</b>	<u>3,234,086</u>	<u>147,916</u>	<u>3,382,002</u>	<u>461,480</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment earnings	429,029	115,193	544,222	144,695
Loss on sale of capital assets	(767,435)	-	(767,435)	-
Interest and other charges	(57,121)	-	(57,121)	-
Grants and subsidies	224,199	29,179	253,378	-
Total non-operating revenues (expenses)	<u>(171,328)</u>	<u>144,372</u>	<u>(26,956)</u>	<u>144,695</u>
Income before transfers	3,062,758	292,288	3,355,046	606,175
Transfers from other funds, net	<u>13,188,302</u>	<u>-</u>	<u>13,188,302</u>	<u>-</u>
Change in net assets	16,251,060	292,288	16,543,348	606,175
<b>Net Assets:</b>				
Beginning of year - July 1	<u>24,688,416</u>	<u>3,624,862</u>	<u>28,313,278</u>	<u>1,474,155</u>
End of year - June 30	<u>\$ 40,939,476</u>	<u>\$ 3,917,150</u>	<u>\$ 44,856,626</u>	<u>\$ 2,080,330</u>

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	Self-Insurance Internal Service
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 6,627,570	\$ 2,466,403	\$ 9,093,973	\$ 3,548,459
Cash paid for goods and services	(2,011,442)	(1,536,611)	(3,548,053)	(2,889,736)
Cash paid to or on behalf of employees for services	(1,050,763)	(639,674)	(1,690,437)	-
Customer deposits received	55,581	2,205	57,786	-
Customer deposits returned	(35,558)	(1,205)	(36,763)	-
Other operating activities	46,722	82,786	129,508	-
Net cash provided (used) by operating activities	<u>3,632,110</u>	<u>373,904</u>	<u>4,006,014</u>	<u>658,723</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Intergovernmental non-operating revenues received	-	29,179	29,179	-
Transfers from other funds	<u>13,188,302</u>	<u>-</u>	<u>13,188,302</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>13,188,302</u>	<u>29,179</u>	<u>13,217,481</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(12,172,142)	(66,823)	(12,238,965)	-
Proceeds from capital debt	6,229,235	-	6,229,235	-
Principal paid on bonds, notes and capital leases	(140,032)	-	(140,032)	-
Capital contributions - grant	224,199	-	-	-
Interest paid on bonds, notes and capital leases	(57,121)	-	(57,121)	-
Net cash provided (used) by capital and related financing activities	<u>(5,915,861)</u>	<u>(66,823)</u>	<u>(5,982,684)</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	<u>429,029</u>	<u>115,193</u>	<u>544,222</u>	<u>144,695</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,333,580</b>	<b>451,453</b>	<b>11,785,033</b>	<b>803,418</b>
<b>Cash and cash equivalents:</b>				
Beginning of year - July 1	<u>1,222,769</u>	<u>2,065,060</u>	<u>3,287,829</u>	<u>1,349,066</u>
End of year - June 30	<u>\$ 12,556,349</u>	<u>\$ 2,516,513</u>	<u>\$ 15,072,862</u>	<u>\$ 2,152,484</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	<u>\$ 3,234,086</u>	<u>\$ 147,916</u>	<u>\$ 3,382,002</u>	<u>\$ 461,480</u>
<b>Adjustment to reconcile operating income to net cash provided by operating activities:</b>				
Depreciation and amortization	692,229	229,297	921,526	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(473,165)	(2,465)	(475,630)	143,797
(Increase) decrease in due from other governments	36,960	3,067	40,027	-
Increase (decrease) in accounts payable and accrued liabilities	107,436	(7,226)	100,210	53,446
Increase (decrease) in customer deposits	20,023	1,000	21,023	-
Increase (decrease) in compensated absences payable	14,541	2,315	16,856	-
Total adjustments	<u>398,024</u>	<u>225,988</u>	<u>624,012</u>	<u>197,243</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,632,110</b>	<b>\$ 373,904</b>	<b>\$ 4,006,014</b>	<b>\$ 658,723</b>

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<u>Fiduciary Funds</u>	<u>Agency Funds</u>
<b>Assets:</b>		
Cash, cash equivalents and investments	\$ 305,254	\$ 249,556
Property taxes receivables, net	-	157,912
Due from other governmental agencies	-	30,826
Other receivables	<u>1,354</u>	<u>793</u>
Total assets	<u>\$ 306,608</u>	<u>\$ 439,087</u>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 595	\$ -
Due to agency participants	-	107,827
Due to other government agencies	<u>-</u>	<u>331,260</u>
Total liabilities	<u>595</u>	<u>439,087</u>
<b>Net Assets:</b>		
Assets held in trust for employees' pension benefits	296,759	-
Assets held in trust for employees' medical and child care benefits	<u>9,254</u>	<u>-</u>
Total net assets	<u>\$ 306,013</u>	<u>\$ -</u>

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Fiduciary Funds</u>
<b>Additions:</b>	
Employer on-behalf payments	\$ 40,000
Employee contributions	67,252
Investment earnings	<u>13,085</u>
Total additions	<u>120,337</u>
<b>Deductions:</b>	
Benefit payments	<u>94,032</u>
Net change in assets	26,305
<b>Net Assets:</b>	
Beginning of year - July 1	<u>279,708</u>
End of year - June 30	<u>\$ 306,013</u>

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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

### 1. Summary of Significant Accounting Policies

#### A. Nature of Operations

The County of Chatham, North Carolina is a political subdivision of the State of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10, is located in the central part of the State, and has a population of approximately 60,000. The County operates under a Commissioner-Manager form of government. The County is responsible for and maintains services inherent to the operation of a county government including general government, public safety, human services, education, economic and physical development and cultural and recreational. The County also operates a water and sewer utility system and a solid waste management system.

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

#### B. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Discretely presented component units are reported in a separate column in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

#### Blended Component Units

##### **Southeast Chatham Water District**

Established April 5, 2004 pursuant to authority contained within Article 6 of Chapter 162A of the General Statutes of North Carolina, the County's board of commissioners also serves as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2007. 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 separate 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 serves as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2007. 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 separate financial statements.

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

#### **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 serves as the governing board for the District. The District has no financial transactions or account balances as of June 30, 2007. 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 separate financial statements.

#### **Discretely Presented Component Unit**

##### **Chatham County Board of Alcoholic Beverage Control**

The County appoints all of the members of the governing board of the Chatham County Board of Alcoholic Beverage Control ("ABC Board"). In addition, 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 a proprietary fund. Complete financial statements for the Chatham County ABC Board may be obtained at their administrative offices at 11455 Suite B, US15-501, Chapel Hill, North Carolina 27516.

#### **Other Component Unit**

##### **Chatham County Industrial Facility and Pollution Control Financing Authority**

Chatham County Industrial Facility and Pollution Control Financing Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. A seven-member board, all of whom are appointed by the County, governs the Authority. 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 government-wide financial statements. The Authority does not issue financial statements.

#### **C. Basis of Presentation, Basis of Accounting**

##### **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 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.

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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 and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

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

**School Construction Fund** – This fund is used to account for the construction of new school facilities and additions to existing facilities. Certificates of participation will be issued to fund a majority of the projects.

The County reports the following major enterprise funds:

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

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

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Additionally, the County reports the following fund types:

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held in a trustee capacity. 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** – These funds are custodial in nature (assets equal liabilities) and do not involve measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others.

The County maintains five Agency Funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the Chatham County Board of Education; the Chatham County Cooperative Extension Fund, which accounts for fees collected for programs conducted by the Chatham County Cooperative Extension; the Goldston Gulf Sanitary District Fund, which accounts for taxes collected for a special tax district located within the County; the State Motor Vehicle Tax Fund, which accounts for the additional interest on delinquent motor vehicle property tax payments to be transferred to the NC State Treasurer; and the Chatham County Municipalities Agency Fund, which accounts for taxes collected and remitted to municipalities located within the County.

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

**D. Measurement Focus and Basis of Accounting**

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

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants,

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, donations, and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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 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 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally,

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

annual registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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.

#### **E. Budgetary Data**

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

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

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

#### **F. Use of Estimates**

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

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

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

The County's and the ABC Board's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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 money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Ad Valorem Taxes Receivable**

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

**Allowances for Uncollectible Accounts**

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

**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 reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are expensed as the items are used.

**Capital Assets**

Capital assets, which include property, plant, infrastructure, equipment and vehicles, are reported in the County's government-wide financial and proprietary financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of more than one year. Capital assets other than leased assets are recorded at original cost or estimated historical cost. Leased assets under capital leases are recorded at the lower of the fair value of the asset or the present value of the related lease obligation. Donated capital assets are recorded at their fair value at the date of donation.

The County holds title to a certain Chatham County Board of Education property which has not been included in capital 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.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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.

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

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

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

**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 the applicable bond premiums or 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.

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

#### **Compensated Absences**

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

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

#### **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 governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved**

Reserved by State statute – portion of fund balance, in addition to reserves for encumbrances and 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, which have not been offset by deferred revenues.

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

Reserved for courthouse clocks – portion of fund balance restricted for maintenance of the courthouse clock and for the removal of the clock and restoration of the courthouse cupola at a future date.

**Unreserved**

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

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

**2. Stewardship, Compliance, and Accountability**

**Excess of Expenditures over Appropriations:**

For the fiscal year ended June 30, 2007, expenditures exceeded the authorized appropriations as follows:

Legal services	\$	20,855
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Management will more closely review the budget reports to ensure compliance in future years.

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**3. Detail Notes on All Funds**

**A. Cash, Cash Equivalents, and Investments**

Cash, cash equivalents and investments of the County as of June 30, 2007 include the following:

	<u>Reported Value</u>	<u>Fair Value</u>
Cash on hand	\$ 1,783	\$ 1,783
Deposits - NOW, SuperNOW, MMDA and certificates of deposit	29,820,675	29,820,675
North Carolina Capital Management Trust	44,484,875	44,484,875
Total	<u>\$ 74,307,333</u>	<u>\$ 74,307,333</u>

**Deposits**

All the deposits of the County and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the ABC Board, these deposits are considered to be held by the County's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the County and the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County and the ABC Board have no policy regarding custodial credit risk for deposits. The County has no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying deposits are properly secured.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

At June 30, 2007, the County's deposits had a carrying amount of \$29,820,675 and a bank balance of \$30,373,668. Of the bank balance, \$288,448 was covered by federal depository insurance and \$30,085,180 was covered by collateral held under the Pooling Method. The County had \$1,783 of cash on hand at year-end.

At June 30, 2007, the carrying amount of deposits for Chatham County ABC Board was \$545,003 and the bank balance was \$522,730. All of the bank balance was covered by federal depository insurance. The ABC Board had \$1,900 of cash on hand at year-end.

**Investments**

At June 30, 2007, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
NC Capital Management Trust - Cash Portfolio	\$ 44,484,875	\$ 44,484,875

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

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County and the ABC Board have no formal policy regarding credit risk. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**B. Receivables**

Receivables at the government-wide level at June 30, 2007 were as follows:

	<b>Taxes and Related Accrued Interest</b>	<b>Accounts</b>	<b>Due from Other Governments</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	\$ 2,279,631	\$ 300,327	4,432,445	\$ 7,012,403
Other governmental	194,726	122,110	314,341	631,177
Internal service	-	16,546	-	16,546
	<u>2,474,357</u>	<u>438,983</u>	<u>4,746,786</u>	<u>7,660,126</u>
Allowance for doubtful accounts	<u>404,699</u>	<u>-</u>	<u>-</u>	<u>404,699</u>
Total governmental activities	<u>\$ 2,069,658</u>	<u>\$ 438,983</u>	<u>\$ 4,746,786</u>	<u>\$ 7,255,427</u>
<b>Business-Type Activities:</b>				
Utility	\$ -	\$ 1,421,600	\$ 258,864	\$ 1,680,464
Solid waste management	-	-	35,355	35,355
	<u>-</u>	<u>1,421,600</u>	<u>294,219</u>	<u>1,715,819</u>
Allowance for doubtful accounts	<u>-</u>	<u>32,140</u>	<u>-</u>	<u>32,140</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 1,389,460</u>	<u>\$ 294,219</u>	<u>\$ 1,683,679</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**Governmental Activities:**

Local option sales tax	\$	3,203,172
Video programming		27,294
Sales Tax Refunds		363,444
Federal and state grants		<u>1,152,876</u>
Total governmental activities	\$	<u>4,746,786</u>

**Business-Type Activities:**

Sales tax refunds	\$	268,394
White Goods Disposal Tax		5,572
Scrap Tire Tax		15,227
State Grants		<u>5,026</u>
Total business-type activities	\$	<u>294,219</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**C. Capital Assets**

Governmental capital assets at June 30, 2007 were as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Nondepreciable assets:</b>				
Land	\$ 2,916,379	\$ 794,754	\$ (245,569)	\$ 3,465,564
Construction in progress	1,840,619	17,385,788	-	19,226,407
Total	<u>4,756,998</u>	<u>18,180,542</u>	<u>(245,569)</u>	<u>22,691,971</u>
<b>Depreciable assets:</b>				
Buildings	11,188,637	3,988,898	-	15,177,535
Equipment and vehicles	<u>7,437,895</u>	<u>1,072,928</u>	<u>(510,226)</u>	<u>8,000,597</u>
Total	<u>18,626,532</u>	<u>5,061,826</u>	<u>(510,226)</u>	<u>23,178,132</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(5,244,722)	(4,178,038)	-	(9,422,760)
Equipment and vehicles	<u>(5,368,986)</u>	<u>(827,970)</u>	<u>494,429</u>	<u>(5,702,527)</u>
Total	<u>(10,613,708)</u>	<u>(5,006,008)</u>	<u>494,429</u>	<u>(15,125,287)</u>
Depreciable assets, net	<u>8,012,824</u>	<u>55,818</u>	<u>(15,797)</u>	<u>8,052,845</u>
Total governmental activities capital assets, net	<u>\$ 12,769,822</u>	<u>\$ 18,236,360</u>	<u>\$ (261,366)</u>	<u>\$ 30,744,816</u>

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

**Governmental Activities:**

General government	\$ 348,805
Public safety	501,619
Human services	106,967
Environmental protection and economic development	11,405
Cultural and recreational	48,314
Education	<u>3,988,898</u>
Total	<u>\$ 5,006,008</u>

**Business-Type Activities:**

Utility	\$ 692,229
Solid waste management	<u>229,297</u>
Total	<u>\$ 921,526</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

Enterprise Fund capital assets at June 30, 2007 were as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Utility Fund</b>				
<b>Nondepreciable assets:</b>				
Land	\$ 202,882	\$ 100,541	\$ -	\$ 303,423
Construction in progress	<u>11,238,374</u>	<u>10,470,217</u>	<u>(8,227,343)</u>	<u>13,481,248</u>
Total	<u>11,441,256</u>	<u>10,570,758</u>	<u>(8,227,343)</u>	<u>13,784,671</u>
<b>Depreciable assets:</b>				
Buildings	4,449,153	-	-	4,449,153
Wells and water lines	17,778,646	8,126,800	-	25,905,446
Equipment and vehicles	<u>996,932</u>	<u>113,223</u>	<u>(44,987)</u>	<u>1,065,168</u>
Total	<u>23,224,731</u>	<u>8,240,023</u>	<u>(44,987)</u>	<u>31,419,767</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,338,812)	(273,852)	-	(2,612,664)
Wells and water lines	(3,832,438)	(333,964)	-	(4,166,402)
Equipment and vehicles	<u>(849,720)</u>	<u>(84,413)</u>	<u>44,987</u>	<u>(889,146)</u>
Total	<u>(7,020,970)</u>	<u>(692,229)</u>	<u>44,987</u>	<u>(7,668,212)</u>
Depreciable assets, net	<u>16,203,761</u>	<u>7,547,794</u>	<u>-</u>	<u>23,751,555</u>
Total utility fund capital assets, net	<u>\$ 27,645,017</u>	<u>\$ 18,118,552</u>	<u>\$(8,227,343)</u>	<u>\$ 37,536,226</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Solid Waste Management</b>				
<b>Nondepreciable assets:</b>				
Land	\$ 294,890	\$ -	\$ -	\$ 294,890
Construction in progress	225,017	393	-	225,410
Total	<u>519,907</u>	<u>393</u>	<u>-</u>	<u>520,300</u>
<b>Depreciable assets:</b>				
Buildings	1,797,817	-	-	1,797,817
Equipment and vehicles	1,748,481	66,430	(72,820)	1,742,091
Total	<u>3,546,298</u>	<u>66,430</u>	<u>(72,820)</u>	<u>3,539,908</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,084,316)	(78,315)	-	(1,162,631)
Equipment and vehicles	(1,448,356)	(150,982)	72,820	(1,526,518)
Total	<u>(2,532,672)</u>	<u>(229,297)</u>	<u>72,820</u>	<u>(2,689,149)</u>
Depreciable assets, net	<u>1,013,626</u>	<u>(162,867)</u>	<u>-</u>	<u>850,759</u>
Total solid waste fund capital assets, net	<u>\$ 1,533,533</u>	<u>\$ (162,474)</u>	<u>\$ -</u>	<u>\$ 1,371,059</u>
Total business-type activities capital assets, net	<u>\$ 29,178,550</u>	<u>\$ 17,956,078</u>	<u>\$(8,227,343)</u>	<u>\$ 38,907,285</u>

**Discretely presented component units**

Activity for the ABC Board for the year ended June 30, 2007 was as follows:

<b>Depreciable assets:</b>				
Leasehold improvements	\$ 11,527	\$ -	\$ -	\$ 11,527
Equipment and fixtures	84,631	1,294	(2,535)	83,390
	96,158	1,294	(2,535)	94,917
Less accumulated depreciation	(74,608)	(7,495)	2,485	(79,618)
	<u>\$ 21,550</u>	<u>\$ (6,201)</u>	<u>\$ (50)</u>	<u>\$ 15,299</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Construction Commitments**

The government has active construction projects as of June 30, 2007. At year-end, the government's commitments with contractors were as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Business Campus	\$ 4,266,134	\$ 2,350,792
Dunlap Renovations	807,505	447,256
Judicial Facility	150,020	41,980
Jordan Lake Water Treatment Plant Upgrade	330,000	309,000
North Chatham Hydraulic	2,073,312	23,250
Raw Water Pump Station	110,500	172,000
3M Reuse	261,308	257,223
Silk Hope Water Line	1,110,273	73,119
Southern Supreme	326,569	600
USDA-Water District	93,936	62,624
Westward Distribution	3,077,610	6,710,111
Social Services Building Renovations	1,373,864	3,579,957
	<u>\$ 13,981,031</u>	<u>\$ 14,027,912</u>

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

**D. Payables**

Payables at the government-wide level at June 30, 2007 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
<b>Governmental Activities:</b>			
General	\$ 1,022,330	\$ 742,491	\$ 1,764,821
Internal service	88,700	-	88,700
Other governmental	2,544,236	308	2,544,544
Total governmental activities	<u>\$ 3,655,266</u>	<u>\$ 742,799</u>	<u>\$ 4,398,065</u>
<b>Business-Type Activities:</b>			
Utility	\$ 2,910,101	\$ 40,271	\$ 2,950,372
Solid waste management	69,235	23,074	92,309
Total business-type activities	<u>\$ 2,979,336</u>	<u>\$ 63,345</u>	<u>\$ 3,042,681</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**E. Operating Leases**

The ABC Board occupies facilities in Chapel Hill, Moncure and Governor's Village. The base monthly rental rate for the Chapel Hill property is \$1,708 and the Moncure property is \$1000. Both rental rates are adjusted annually based on the Consumer Price Index. The annual rent for the Governor's Village property is \$16,560 for year one, \$17,160 for year two and \$17,760 for year three. The agreement for the Chapel Hill facility is being leased on a month-to month basis, the lease agreement for the Moncure facility expires in October 2010, and the lease agreement for the Governor's Village facility expires in April 2010. The minimum future lease payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2008	\$ 28,660
2009	29,260
2010	26,800
2011	<u>4,000</u>
Total	<u>\$ 88,720</u>

**F. Long-Term Debt**

Long-term debt obligations of the County at June 30, 2007 consisted of the following:

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b>General Obligation Bonds</b>		
School bonds issued October 1, 1996; interest at 4.70% to 5.25%; due serially to 2011	\$ 1,675,000	\$ -
Refunding bonds, Series 2001 issued September 1, 2001; interest at 3.00% to 4.25%; due serially to 2012	4,100,000	-
Refunding bonds, Series 2004 issued April 6, 2004; interest at 2.25% to 4.00%; due serially to 2016	<u>9,425,000</u>	<u>-</u>
Total general obligation bonds	<u>\$ 15,200,000</u>	<u>\$ -</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Other Long-Term Obligations</b>		
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	\$ 340,389	\$ -
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	48,464	-
Certificates of Participation issued in November 2006 for the construction an elementary school, additions to and renovation of an existing high school, addition and renovation of the Department of Social Services Building, construction of roads, water lines and sewer lines for the County Business Campus, other miscellaneous school capital projects; collateralized by real estate	35,395,000	-
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	-	850,000
State revolving loan with North Carolina Department of Environment and Natural Resources; due in annual installments of \$17,782 plus interesst at 2.55%; maturing in 2020	-	231,169
State revolving loan with North Carolina Department of Environment and Natural resources	-	6,229,235
State revolving loan with North Carolina Department of Environment and Natural Resources; due in annual installments of \$10,897 including interest at 2.80%; maturing in 2021	-	133,749
Total other long-term obligations	\$ 35,783,853	\$ 7,444,153
Total outstanding	\$ 50,983,853	\$ 7,444,153
Less current portion	(1,867,123)	(451,493)
	\$ 49,116,730	\$ 6,992,660

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**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, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 17,065,000	\$ -	\$ (1,865,000)	\$ 15,200,000	\$ 1,825,000
Other long-term obligations	421,188	35,395,000	(32,335)	35,783,853	42,123
	17,486,188	35,395,000	(1,897,335)	50,983,853	1,867,123
Compensated absences	1,019,292	912,691	(773,602)	1,158,381	773,602
	<u>\$ 18,505,480</u>	<u>\$ 36,307,691</u>	<u>\$ (2,670,937)</u>	<u>\$ 52,142,234</u>	<u>\$ 2,640,725</u>
<b>Business-Type Activities:</b>					
Other long-term obligations	\$ 1,354,951	\$ 6,229,235	\$ (140,033)	\$ 7,444,153	\$ 451,493
Compensated absences	75,491	73,616	(56,760)	92,347	55,856
	<u>\$ 1,430,442</u>	<u>\$ 6,302,851</u>	<u>\$ (196,793)</u>	<u>\$ 7,536,500</u>	<u>\$ 507,349</u>

Compensated absences typically have been liquidated in the General Fund.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Maturities of Long-Term Debt**

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2007, including interest, are as follows:

	<u>General Obligation Bonds</u>		<u>Other Long-Term Obligations</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<b>Governmental Activities:</b>						
2008	\$ 1,825,000	\$ 555,543	\$ 42,123	\$ 1,651,303	\$ 1,867,123	\$ 2,206,846
2009	1,790,000	491,388	242,567	1,650,857	2,032,567	2,142,245
2010	1,750,000	424,350	243,032	1,642,394	1,993,032	2,066,744
2011	1,715,000	357,313	243,513	1,633,913	1,958,513	1,991,226
2012	1,735,000	290,500	230,693	1,625,413	1,965,693	1,915,913
2013-2017	6,385,000	564,650	2,643,464	8,007,063	9,028,464	8,571,713
2018-2022	-	-	8,483,461	6,856,313	8,483,461	6,856,313
2023-2027	-	-	8,450,000	4,933,675	8,450,000	4,933,675
2028-2032	-	-	8,450,000	2,871,875	8,450,000	2,871,875
2033-2036	-	-	6,755,000	784,950	6,755,000	784,950
	<u>\$ 15,200,000</u>	<u>\$ 2,683,744</u>	<u>\$ 35,783,853</u>	<u>\$ 31,657,756</u>	<u>\$ 50,983,853</u>	<u>\$ 34,341,500</u>
<b>Business-Type Activities:</b>						
2008	\$ -	\$ -	\$ 451,493	\$ 194,245	\$ 451,493	\$ 194,245
2009	-	-	451,493	180,605	451,493	180,605
2010	-	-	451,493	166,965	451,493	166,965
2011	-	-	451,493	153,325	451,493	153,325
2012	-	-	451,493	139,687	451,493	139,687
2013-2017	-	-	1,974,134	510,030	1,974,134	510,030
2018-2022	-	-	1,655,238	293,632	1,655,238	293,632
2023-2027	-	-	1,557,316	107,688	1,557,316	107,688
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,444,153</u>	<u>\$ 1,746,177</u>	<u>\$ 7,444,153</u>	<u>\$ 1,746,177</u>

At June 30, 2007, the County had a legal debt margin of \$482,264,633.

**Advance Refunding**

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

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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.

**G. Conduit Debt Obligations**

Chatham County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the amount of industrial revenue bonds outstanding approximated \$2,900,000.

**H. Deferred / Unearned Revenues**

The balance in deferred/unearned revenues at June 30, 2007 is composed of the following elements:

	<b>Deferred Revenue</b>	<b>Unearned Revenue</b>
Prepaid taxes not yet earned (General)	\$ -	\$ 342,521
Prepaid taxes not yet earned (Special Revenue)	-	27,680
Taxes receivable, net (General)	1,903,905	-
Taxes receivable, net (Special Revenue)	165,753	-
Health department fees receivable, net (General)	42,084	-
	\$ 2,111,742	\$ 370,201

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**I. Pension Plan Obligations**

**Local Governmental Employees' Retirement System**

**Plan Description**

The County and the ABC Board contribute to the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy**

Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.88% and 4.78%, 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, 2007, 2006 and 2005 were \$707,349, \$692,734 and \$612,759, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$6,254, \$7,140 and \$5,711, 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 plan does not issue separate financial statements.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

All full-time County law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2006 the Separation Allowance's membership consisted of:

Retirees receiving benefits and terminated plan members entitled to but not yet receiving benefits	3
Active plan members	<u>73</u>
Total	<u>76</u>

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. 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 \$40,000 or 1.6% 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, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. 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, 2006 was 24 years.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Annual Pension Cost and Net Pension Obligation**

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

Annual required contribution	\$	33,947
Interest on net pension obligation		(6,851)
Adjustment to annual required contribution		<u>5,655</u>
Annual pension cost		32,751
Contributions made		<u>40,000</u>
Increase in net pension asset		(7,249)
Net pension asset, beginning of year		<u>(94,490)</u>
Net pension asset, end of year	\$	<u>(101,739)</u>

**Three Year Trend Information**

Fiscal Year Ended	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 35,558	140.62%	\$ (97,164)
6/30/2006	42,674	93.73%	(94,490)
6/30/2007	32,751	122.13%	(101,739)

**Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description**

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Funding Policy**

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2007 were \$144,654, which consisted of \$120,144 from the County and \$24,510 from the law enforcement officers.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Supplemental Retirement Income Plan of North Carolina 401(k)**

**Plan Description**

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

**Funding Policy**

The County contributes each month an amount equal to four and one-half percent (4.5%). Also, employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2007 were \$769,311 which consisted of \$546,338 from the County and \$222,973 from the employees.

**Deferred Compensation Plan**

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

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

Employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$34,042 from employees.

**CHATHAM COUNTY, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Registers of Deeds' Supplemental Pension Fund**

**Plan Description**

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**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, 2007, the County's required and actual contributions were \$21,229.

**Other Post Employment Benefits**

According to a County resolution, the County provides post-employment health care benefits to retirees of the County, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. The County pays the full cost of coverage for these benefits with thirty years of service, 75% of cost with 25 years of service and 50% of cost with 20 years of service. Also, the County's retirees can purchase coverage for their dependents at the County's group rates. Currently, 4 retirees are eligible for post-employment health benefits. The County is self-insured for its health care coverage and contributes funding for all employee groups annually.

**Other Employment Benefits**

The County has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2007, the County made contributions to the State for death benefits of \$6,348. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

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

**J. 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:

	<b>Law Enforcement Employees' Pension Trust Fund</b>	<b>Employees' Medical and Child Care Trust Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 296,000	\$ 9,254	\$ 305,254
Other receivables	1,354	-	1,354
Total assets	<u>297,354</u>	<u>9,254</u>	<u>306,608</u>
<b>Liabilities:</b>			
Accounts payable and other accrued liabilities	<u>595</u>	<u>-</u>	<u>595</u>
<b>Net Assets:</b>			
Assets held in trust for employees' pension benefits	296,759	-	296,759
Assets held in trust for employees' medical and child care benefits	<u>-</u>	<u>9,254</u>	<u>9,254</u>
Total net assets	<u>\$ 296,759</u>	<u>\$ 9,254</u>	<u>\$ 306,013</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

	<b>Law Enforcement Employees' Pension Trust Fund</b>	<b>Employees' Medical and Child Care Trust Fund</b>	<b>Total</b>
<b>Additions:</b>			
Employer on-behalf payments	\$ 40,000	\$ -	\$ 40,000
Employee contributions	-	67,252	67,252
Investment earnings	13,080	5	13,085
Total additions	53,080	67,257	120,337
<b>Deductions:</b>			
Benefit payments	29,064	64,968	94,032
Net change in assets	24,016	2,289	26,305
Net assets, beginning of year	272,742	6,966	279,708
Net assets, end of year	\$ 296,758	\$ 9,255	\$ 306,013

The two trust funds do not issue financial statements.

**K. 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 \$23,138,235. 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

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

provision of \$55,000 per occurrence. The maximum lifetime benefit is \$2,000,000. The County carries commercial insurance coverage above these limits. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. The County carries flood insurance with a limit of coverage of \$5,000,000.

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

The ABC Board has property, general liability, liquor legal liability, 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.

#### **L. Contingent Liabilities and Commitments**

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

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

#### **M. Claims and Judgments**

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

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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

Accrued claims and judgments, June 30, 2005	\$ 139,000
Additions	2,750,219
Benefits paid	<u>(2,667,219)</u>
Accrued claims and judgments, June 30, 2006	222,000
Additions	2,271,579
Benefits paid	<u>(2,405,579)</u>
Accrued claims and judgments, June 30, 2007	<u>\$ 88,000</u>

**N. Landfill Closure and Post Closure 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. Post closure costs for the fiscal year ended June 30, 2007 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, 2007, the County incurred costs towards the acquisition of land for the buffer zone at a cost of \$395. Future post closure costs will be expensed as incurred.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**O. Interfund Balances and Activity**

**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2007 consist of the following:

Fund Type	Fund Name	To	From	Purpose
General Fund	General Fund	\$ 58,400		Fund mobile unit classrooms for schools
Special Revenue	Impact Fees		\$ 58,400	
Capital Project	Equipment Capital Reserve	230,570		Fund equipment purchases
General Fund	General Fund		230,570	
Special Revenue	Personnel Savings	500,000		Fund pay for performance
General Fund	General Fund		500,000	
Special Revenue	Capital Improvements Reserve	1,694,708		Service future debt on planned capital projects
General Fund	General Fund		1,694,708	
Capital Project	Mapping Project	13,249		Fund aerial mapping project
General Fund	General Fund		13,249	
Capital Project	Mapping Project	72,819		Fund aerial mapping project
Special Revenue	Ehanced 911		72,819	
Capital Project	Facilities & Improvements	955,505		Fund renovations to county facilities
General Fund	General Fund		955,505	
Capital Project	Southwest Park	41,967		Fund Iimprovements at Southwest Park
Special Revenue	Recreation Exaction		41,967	
Capital Project	Imaging	100,000		Fund imaging project for scanning documents
General Fund	General Fund		100,000	
Enterprise Fund	Utility Capital Reserve	6,125,295		Fund future utility capital projects
General Fund	General Fund		6,125,295	
Enterprise Fund	Utility Capital Projects	7,063,007		Fund water capital projects
Special Revenue	Capital Improvements Reserve		7,063,007	
Enterprise Fund	Equipment Reserve	42,173		Fund reserve for future equipment purchases
Enterprise Fund	Utility Operating		42,173	
Enterprise Fund	Utility Capital Reserve	773,462		Fund reserve for future capital projects
Enterprise Fund	Utility Operating		773,462	
Enterprise Fund	Uiltiy Capital Reserve	3,754,112		Fund capital projects
Enterprise Fund	Utility Capital Projects	-	3,754,112	
		<u>\$21,425,267</u>	<u>\$21,425,267</u>	

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**4. Related Organizations**

**Chatham County Housing Authority**

The County's officials appoint the board members of the Chatham County Housing Authority. The County's accountability for this organization does not extend beyond making these appointments. There were no appropriations to the Chatham County Housing Authority for the year ended June 30, 2007.

**5. Joint Ventures**

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

The County, in conjunction with Orange County and Person County, participates in a joint venture to operate the Orange-Person-Chatham Mental Health Developmental Disabilities and Substance Abuse Authority (Authority). The County appoints one member to the Authority's board. The County has an ongoing financial responsibility for the joint venture because the Authority's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Authority; therefore, no equity interest has been reflected in the financial statements at June 30, 2007. The County appropriated \$402,231 to the Authority to supplement its activities for the year ended June 30, 2007.

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

**B. Central Carolina Community College**

The County, in conjunction with the State of North Carolina, Lee County, Harnett County, and Lee County Board of Education, participates in a joint venture to operate Central Carolina Community College (Community College). Each of the participants appoints members to the sixteen member board of trustees of the Community College. The president of the Community College's student government serves as an ex officio nonvoting member of the Community College's board of trustees. The Community College is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. In addition, the County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$479,529 to the Community College for operating purposes during the fiscal year ended June 30, 2007. 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, 2007.

## CHATHAM COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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

#### **C. Chatham County Economic Development Corporation**

The County, in conjunction with the Towns of Pittsboro, Siler City and Goldston, participates in a joint venture to operate the Chatham County Economic Development Corporation (Corporation). The Corporation is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed \$213,765 to the Corporation during the fiscal year ended June 30, 2007. 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, 2007.

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

#### **6. Jointly Governed Organizations**

##### **Triangle J Council of Governments**

The County, in conjunction with four other counties and twenty municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$37,820 to the Council during the fiscal year ended June 30, 2007.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**7. Benefit Payments Issued by the State**

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 25,892,428	\$ 12,747,410
Food Stamp Program	2,977,541	-
Temporary Assistance for Needy Families	299,381	-
Adoption Assistance	181,974	156,793
Foster Care	126,239	32,797
Low Income Energy Assistance	108,036	-
State/County Special Assistance for Adults Women, Infants, and Children	-	444,654
Other	1,013,233	-
	<u>19,042</u>	<u>42,715</u>
 Total	 <u>\$ 30,617,874</u>	 <u>\$ 13,424,369</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.