

## **BASIC FINANCIAL STATEMENTS**

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## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	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	\$ 53,549,914	\$ 23,356,755	\$ 76,906,669	\$ 671,949
Property taxes receivable, net	2,110,158	710,072	2,820,230	-
Accounts receivable, net	378,685	-	378,685	140
Due from other governments	4,896,023	473,096	5,369,119	-
Other receivables	-	27,443	27,443	-
Inventories	-	-	-	203,058
Net pension asset	69,560	-	69,560	-
Prepaid items	-	-	-	11,581
Total current assets	<u>61,004,340</u>	<u>24,567,366</u>	<u>85,571,706</u>	<u>886,728</u>
<b>Capital assets:</b>				
Land, improvements and construction in progress	35,675,113	24,234,404	59,909,517	-
Other capital assets, net of depreciation	<u>8,512,174</u>	<u>24,146,127</u>	<u>32,658,301</u>	<u>24,659</u>
Total capital assets	<u>44,187,287</u>	<u>48,380,531</u>	<u>92,567,818</u>	<u>24,659</u>
Total assets	<u>105,191,627</u>	<u>72,947,897</u>	<u>178,139,524</u>	<u>911,387</u>
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	3,149,962	1,328,227	4,478,189	172,338
Customer deposits	-	236,430	236,430	-
Unearned revenues	279,882	-	279,882	-
Compensated absences - current	731,510	64,985	796,495	-
Debt obligations - current	<u>2,032,569</u>	<u>934,902</u>	<u>2,967,471</u>	<u>-</u>
Total current liabilities	<u>6,193,923</u>	<u>2,564,544</u>	<u>8,758,467</u>	<u>172,338</u>
<b>Noncurrent liabilities:</b>				
Compensated absences - noncurrent	571,257	43,485	614,742	-
Debt obligations - noncurrent	<u>47,084,161</u>	<u>20,869,220</u>	<u>67,953,381</u>	<u>-</u>
Total noncurrent liabilities	<u>47,655,418</u>	<u>20,912,705</u>	<u>68,568,123</u>	<u>-</u>
Total liabilities	<u>53,849,341</u>	<u>23,477,249</u>	<u>77,326,590</u>	<u>172,338</u>
<b>Net Assets:</b>				
Investment in capital assets, net of related debt	18,908,698	26,576,409	45,485,107	24,659
Restricted for:				
Register of Deeds	96,708	-	96,708	-
Courthouse clocks	65,526	-	65,526	-
Education	11,187,339	-	11,187,339	-
Unrestricted	<u>21,084,015</u>	<u>22,894,239</u>	<u>43,978,254</u>	<u>714,390</u>
Total net assets	<u>\$ 51,342,286</u>	<u>\$ 49,470,648</u>	<u>\$ 100,812,934</u>	<u>\$ 739,049</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, 2008

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	\$ 9,091,006	\$ 3,567,054	\$ 9,570	\$ -
Public safety	14,939,371	1,091,981	980,157	-
Economic and physical development	1,997,214	238,642	83,884	-
Human services	16,771,176	1,383,731	7,587,739	-
Cultural and recreational	914,814	67,407	189,703	799,460
Education	23,446,647	-	622,672	-
Interest on long-term debt	2,206,846	-	-	-
Total governmental activities	<u>69,367,073</u>	<u>6,348,815</u>	<u>9,473,725</u>	<u>799,460</u>
<b>Business-Type Activities:</b>				
Utility	4,391,967	6,389,997	-	490,520
Solid waste management	<u>2,429,930</u>	<u>2,636,893</u>	<u>16,319</u>	<u>-</u>
Total business-type activities	<u>6,821,897</u>	<u>9,026,890</u>	<u>16,319</u>	<u>490,520</u>
Total primary government	<u>\$ 76,188,970</u>	<u>\$ 15,375,705</u>	<u>\$ 9,490,044</u>	<u>\$ 1,289,980</u>
<b>Component Unit:</b>				
Chatham County Board of Alcoholic Beverage Control	<u>\$ 1,544,513</u>	<u>\$ 1,682,210</u>	<u>\$ -</u>	<u>\$ -</u>

### General Revenues:

#### Taxes:

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

#### Transfers

Total general revenues and transfers

Change in net assets

### Net Assets:

Beginning of year - July 1

End of year - June 30

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

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Chatham</b>
<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>	<b>County Board</b>
<b>Activities</b>	<b>Activities</b>		<b>of Alcoholic</b>
			<b>Beverage Control</b>
\$ (5,514,382)	\$ -	\$ (5,514,382)	
(12,867,233)	-	(12,867,233)	
(1,674,688)	-	(1,674,688)	
(7,799,706)	-	(7,799,706)	
141,756	-	141,756	
(22,823,975)	-	(22,823,975)	
(2,206,846)	-	(2,206,846)	
<u>(52,745,073)</u>	<u>-</u>	<u>(52,745,073)</u>	
-	2,488,550	2,488,550	
-	223,282	223,282	
-	2,711,832	2,711,832	
<u>(52,745,073)</u>	<u>2,711,832</u>	<u>(50,033,241)</u>	
			\$ <u>137,697</u>
48,824,974	-	48,824,974	-
12,408,159	-	12,408,159	-
1,059,404	-	1,059,404	-
621,352	-	621,352	-
2,600,150	408,187	3,008,337	4,573
196,180	-	196,180	-
<u>65,710,219</u>	<u>408,187</u>	<u>66,118,406</u>	<u>-</u>
<u>(1,494,003)</u>	<u>1,494,003</u>	<u>-</u>	<u>-</u>
<u>64,216,216</u>	<u>1,902,190</u>	<u>66,118,406</u>	<u>-</u>
11,471,143	4,614,022	16,085,165	137,697
<u>39,871,143</u>	<u>44,856,626</u>	<u>84,727,769</u>	<u>601,352</u>
<u>\$ 51,342,286</u>	<u>\$ 49,470,648</u>	<u>\$ 100,812,934</u>	<u>\$ 739,049</u>

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

CHATHAM COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Major Funds		
	General	Impact Fees	Capital Improvements Reserve
<b>Assets:</b>			
Cash, cash equivalents and investments	\$ 18,881,680	\$ 11,180,339	\$ 8,251,909
Taxes receivable, net	1,950,080	-	-
Due from other governments	4,594,111	-	-
Due from other funds	-	-	64,459
Other receivables	358,196	10,500	-
Total assets	<u>\$ 25,784,067</u>	<u>\$ 11,190,839</u>	<u>\$ 8,316,368</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 1,871,728	\$ 3,500	\$ -
Due to other funds	-	-	-
Unearned revenue	257,574	-	-
Deferred revenue	1,961,060	-	-
Total liabilities	<u>4,090,362</u>	<u>3,500</u>	<u>-</u>
<b>Fund Balances:</b>			
<b>Reserved:</b>			
Reserved by State statute	4,941,327	10,500	64,959
Reserved for Register of Deeds	96,708	-	-
Reserved for courthouse clocks	-	-	-
<b>Unreserved:</b>			
Designated for subsequent year's expenditures:			
General Fund	5,346,172	-	4,000,000
Impact Fees Fund	-	11,000,000	-
Capital Improvements Reserve	-	-	-
Designated for subsequent year's expenditures, reported in nonmajor funds:			
Special Revenue funds	-	-	-
Unreserved, reported in:			
General Fund	11,309,498	-	-
Impact Fees Fund	-	176,839	-
Capital Improvements Reserve	-	-	4,251,409
Capital Project funds	-	-	-
Unreserved, reported in non-major funds:			
Special Revenue funds	-	-	-
Capital Project funds	-	-	-
Total fund balances	<u>21,693,705</u>	<u>11,187,339</u>	<u>8,316,368</u>
Total liabilities and fund balances	<u>\$ 25,784,067</u>	<u>\$ 11,190,839</u>	<u>\$ 8,316,368</u>

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

Net assets of governmental activities

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

**Exhibit C**

<u>Facilities Improvements</u>	<u>School Construction Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,719,698	\$ 9,747,658	\$ 50,781,284
-	-	160,078	2,110,158
108,972	113,263	79,677	4,896,023
-	-	-	64,459
-	-	9,465	378,161
<u>\$ 108,972</u>	<u>\$ 2,832,961</u>	<u>\$ 9,996,878</u>	<u>\$ 58,230,085</u>

\$ 812,952	\$ 335,642	\$ 7,658	\$ 3,031,480
64,459	-	-	64,459
-	-	22,308	279,882
-	-	160,078	2,121,138
<u>877,411</u>	<u>335,642</u>	<u>190,044</u>	<u>5,496,959</u>

-	-	54,405	5,071,191
-	-	-	96,708
-	-	65,526	65,526

-	-	-	9,346,172
-	-	-	11,000,000

-	-	5,110,535	5,110,535
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-	-	-	11,309,498
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-	-	-	176,839
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-	-	-	4,251,409
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(768,439)	2,497,319	-	1,728,880
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-	-	4,345,774	4,345,774
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-	-	230,594	230,594
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<u>(768,439)</u>	<u>2,497,319</u>	<u>9,806,834</u>	<u>52,733,126</u>
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<u>\$ 108,972</u>	<u>\$ 2,832,961</u>	<u>\$ 9,996,878</u>	<u>\$ 58,230,085</u>
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\$ 52,733,126

69,560

44,187,287

2,650,672

2,121,138

(1,302,767)

(49,116,730)

\$ 51,342,286

*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, 2008

	<b>Major Funds</b>		
	<b>General</b>	<b>Impact Fees</b>	<b>Capital Improvement Reserve</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 44,214,727	\$ -	\$ -
Local option sales tax	12,408,159	-	-
Other taxes	920,751	-	-
Unrestricted intergovernmental	621,352	-	-
Restricted intergovernmental	8,706,837	-	-
Permits and fees	1,410,624	2,322,991	-
Sales and services	2,119,952	-	-
Investment earnings	1,206,366	291,752	717,459
Other general revenues	477,689	-	-
Total revenues	<u>72,086,457</u>	<u>2,614,743</u>	<u>717,459</u>
<b>Expenditures:</b>			
Current:			
General government	6,630,669	-	-
Public safety	10,562,640	-	-
Economic and physical development	2,207,186	-	-
Human services	17,825,114	-	-
Cultural and recreational	4,316,615	-	-
Intergovernmental:			
Education	23,532,025	-	-
Debt service:			
Principal retirement	1,867,123	-	-
Interest and fees	2,206,846	-	-
Total expenditures	<u>69,148,218</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>2,938,239</u>	<u>2,614,743</u>	<u>717,459</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to) other funds	<u>(3,073,617)</u>	<u>(1,055,624)</u>	<u>2,816,218</u>
Net change in fund balances	(135,378)	1,559,119	3,533,677
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>21,829,083</u>	<u>9,628,220</u>	<u>4,782,691</u>
End of year - June 30	<u>\$ 21,693,705</u>	<u>\$ 11,187,339</u>	<u>\$ 8,316,368</u>

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

**Exhibit D**

<u>Facilities Project</u>	<u>School Construction</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 4,569,747	\$ 48,784,474
-	-	-	12,408,159
-	-	138,653	1,059,404
-	-	-	621,352
-	-	590,387	9,297,224
-	-	776,032	4,509,647
-	-	-	2,119,952
-	-	338,105	2,553,682
<u>7,500</u>	<u>-</u>	<u>29,126</u>	<u>514,315</u>
<u>7,500</u>	<u>-</u>	<u>6,442,050</u>	<u>81,868,209</u>
574,583	-	82,200	7,287,452
415,840	-	4,893,926	15,872,406
-	-	158,016	2,365,202
3,599,142	-	-	21,424,256
660,933	-	7,255	4,984,803
456,579	4,619,138	-	28,607,742
-	-	-	1,867,123
-	-	-	<u>2,206,846</u>
<u>5,707,077</u>	<u>4,619,138</u>	<u>5,141,397</u>	<u>84,615,830</u>
<u>(5,699,577)</u>	<u>(4,619,138)</u>	<u>1,300,653</u>	<u>(2,747,621)</u>
<u>-</u>	<u>-</u>	<u>(180,980)</u>	<u>(1,494,003)</u>
(5,699,577)	(4,619,138)	1,119,673	(4,241,624)
<u>4,931,138</u>	<u>7,116,457</u>	<u>8,687,161</u>	<u>56,974,750</u>
<u>\$ (768,439)</u>	<u>\$ 2,497,319</u>	<u>\$ 9,806,834</u>	<u>\$ 52,733,126</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, 2008**

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

Net changes in fund balances - total governmental funds \$ (4,241,624)

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

Expenditures for capital assets	14,588,085
Current year's depreciation	(1,145,614)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

1,867,123

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.

(144,386)

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

(22,783)

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

570,342

Total change in net assets of governmental activities

\$ 11,471,143

**CHATHAM COUNTY, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND AND  
ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund				Impact Fees	
	Original Budget	Final Budget	Actual	Variance With Final Budget Over/Under	Original Budget	Final Budget
<b>Revenues:</b>						
Ad valorem taxes	\$ 42,959,002	\$ 42,989,002	\$ 44,214,727	\$ 1,225,725	\$ -	\$ -
Local option sales tax	11,763,412	11,763,412	12,408,159	644,747	-	-
Other taxes	886,929	886,929	920,751	33,822	-	-
Unrestricted intergovernmental	286,324	286,324	621,352	335,028	-	-
Restricted intergovernmental	7,569,905	8,682,528	8,706,837	24,309	-	-
Permits and fees	1,506,636	1,506,636	1,410,624	(96,012)	4,053,900	4,053,900
Sales and services	2,134,723	2,134,723	2,119,952	(14,771)	-	-
Investment earnings	800,000	800,000	1,206,366	406,366	150,000	150,000
Other general revenues	139,012	143,480	477,689	334,209	-	-
Total revenues	<u>68,045,943</u>	<u>69,193,034</u>	<u>72,086,457</u>	<u>2,893,423</u>	<u>4,203,900</u>	<u>4,203,900</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	7,759,005	8,097,227	6,630,669	1,466,558	-	-
Public safety	10,711,744	11,278,701	10,562,640	716,061	-	-
Economic and physical development	2,129,779	2,520,910	2,207,186	313,724	-	-
Human services	19,665,708	20,273,190	17,825,114	2,448,076	-	-
Cultural and recreational	1,496,322	4,488,208	4,316,615	171,593	-	-
<b>Intergovernmental:</b>						
Education	23,910,274	24,215,925	23,532,025	683,900	11,848,276	11,848,276
<b>Debt service:</b>						
Principal retirement	1,863,852	1,867,123	1,867,123	-	-	-
Interest and fees	2,210,118	2,206,847	2,206,846	1	-	-
Total expenditures	<u>69,746,802</u>	<u>74,948,131</u>	<u>69,148,218</u>	<u>5,799,913</u>	<u>11,848,276</u>	<u>11,848,276</u>
Revenues over (under) expenditures	<u>(1,700,859)</u>	<u>(5,755,097)</u>	<u>2,938,239</u>	<u>8,693,336</u>	<u>(7,644,376)</u>	<u>(7,644,376)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from other funds	2,510,301	3,982,999	3,030,393	(952,606)	-	-
Transfers to other funds	(6,724,010)	(6,854,010)	(6,104,010)	750,000	(1,055,624)	(1,055,624)
Proceeds from borrowing	-	100,000	-	(100,000)	-	-
Appropriated fund balance	5,914,568	8,526,108	-	(8,526,108)	8,700,000	8,700,000
Total other financing sources (uses)	<u>1,700,859</u>	<u>5,755,097</u>	<u>(3,073,617)</u>	<u>(8,828,714)</u>	<u>7,644,376</u>	<u>7,644,376</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(135,378)</u>	<u>\$ (135,378)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances:</b>						
Beginning of year - July 1			21,829,083			
End of year - June 30			<u>\$ 21,693,705</u>			

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

Exhibit F

Funds		Capital Improvement Reserve Fund			
Actual	Variance with Final Budget Over/Under	Original Budget	Final Budget	Actual	Variance With Final Budget Over/Under
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,322,991	(1,730,909)	-	-	-	-
-	-	-	-	-	-
291,752	141,752	35,000	35,000	717,459	682,459
-	-	-	-	-	-
<u>2,614,743</u>	<u>(1,589,157)</u>	<u>35,000</u>	<u>35,000</u>	<u>717,459</u>	<u>682,459</u>
-	-	6,351,218	6,351,218	-	6,351,218
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,848,276	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>11,848,276</u>	<u>6,351,218</u>	<u>6,351,218</u>	<u>-</u>	<u>6,351,218</u>
<u>2,614,743</u>	<u>10,259,119</u>	<u>(6,316,218)</u>	<u>(6,316,218)</u>	<u>717,459</u>	<u>7,033,677</u>
-	-	2,816,218	2,816,218	2,816,218	-
(1,055,624)	-	-	-	-	1,600
-	-	-	-	-	-
<u>-</u>	<u>(8,700,000)</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>	<u>(3,500,000)</u>
<u>(1,055,624)</u>	<u>(8,700,000)</u>	<u>6,316,218</u>	<u>6,316,218</u>	<u>2,816,218</u>	<u>(3,498,400)</u>
1,559,119	\$ 1,559,119	\$ -	\$ -	3,533,677	\$ 3,535,277
<u>9,628,220</u>				<u>4,782,691</u>	
<u>\$ 11,187,339</u>				<u>\$ 8,316,368</u>	

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Business-Type Activities - Enterprise			Governmental Activities
	Utility	Solid Waste Management	Total	Self-Insurance Internal Service
<b>Assets:</b>				
<b>Current assets:</b>				
Cash, cash equivalents and investments	\$ 20,449,182	\$ 2,907,573	\$ 23,356,755	\$ 2,768,630
Receivables, net	635,773	74,299	710,072	524
Due from other governments	442,295	30,801	473,096	-
Other receivables	6,845	20,598	27,443	-
Total current assets	<u>21,534,095</u>	<u>3,033,271</u>	<u>24,567,366</u>	<u>2,769,154</u>
<b>Capital assets:</b>				
Land, improvements and construction in progress	23,667,276	567,128	24,234,404	-
Other capital assets, net of depreciation	23,404,850	741,277	24,146,127	-
Total capital assets, net	<u>47,072,126</u>	<u>1,308,405</u>	<u>48,380,531</u>	<u>-</u>
Total assets	<u>\$ 68,606,221</u>	<u>\$ 4,341,676</u>	<u>\$ 72,947,897</u>	<u>\$ 2,769,154</u>
<b>Liabilities and Net Assets:</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,252,515	\$ 75,712	\$ 1,328,227	\$ 118,482
Customer deposits	234,180	2,250	236,430	-
Compensated absences payable - current	31,796	33,189	64,985	-
Installment notes payable - current	934,902	-	934,902	-
Total current liabilities	<u>2,453,393</u>	<u>111,151</u>	<u>2,564,544</u>	<u>118,482</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable - noncurrent	43,485	-	43,485	-
Installment notes payable - noncurrent	20,869,220	-	20,869,220	-
Total noncurrent liabilities	<u>20,912,705</u>	<u>-</u>	<u>20,912,705</u>	<u>-</u>
Total liabilities	<u>23,366,098</u>	<u>111,151</u>	<u>23,477,249</u>	<u>118,482</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	25,268,004	1,308,405	26,576,409	-
Unrestricted	19,972,119	2,922,120	22,894,239	2,650,672
Total net assets	<u>\$ 45,240,123</u>	<u>\$ 4,230,525</u>	<u>\$ 49,470,648</u>	<u>\$ 2,650,672</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, 2008

	<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>Operating Revenues:</b>				
Charges for services	\$ 6,387,968	\$ 2,547,855	\$ 8,935,823	\$ 3,762,145
Other operating revenues	2,029	89,038	91,067	-
Total operating revenues	<u>6,389,997</u>	<u>2,636,893</u>	<u>9,026,890</u>	<u>3,762,145</u>
<b>Operating Expenses:</b>				
Operating expenses	3,378,911	2,240,738	5,619,649	3,238,271
Depreciation	<u>877,318</u>	<u>189,192</u>	<u>1,066,510</u>	<u>-</u>
Total operating expenses	<u>4,256,229</u>	<u>2,429,930</u>	<u>6,686,159</u>	<u>3,238,271</u>
<b>Operating Income</b>	<u>2,133,768</u>	<u>206,963</u>	<u>2,340,731</u>	<u>523,874</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment earnings	318,094	90,093	408,187	46,468
Loss on capital assets	(85,077)	-	(85,077)	-
Interest and other charges	(50,661)	-	(50,661)	-
Grants and subsidies	<u>490,520</u>	<u>16,319</u>	<u>506,839</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>672,876</u>	<u>106,412</u>	<u>779,288</u>	<u>46,468</u>
Income before transfers	2,806,644	313,375	3,120,019	570,342
Transfers from other funds, net	<u>1,494,003</u>	<u>-</u>	<u>1,494,003</u>	<u>-</u>
Change in net assets	4,300,647	313,375	4,614,022	570,342
<b>Net Assets:</b>				
Beginning of year - July 1	<u>40,939,476</u>	<u>3,917,150</u>	<u>44,856,626</u>	<u>2,080,330</u>
End of year - June 30	<u>\$ 45,240,123</u>	<u>\$ 4,230,525</u>	<u>\$ 49,470,648</u>	<u>\$ 2,650,672</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, 2008

	Business-Type Activities - Enterprise			Governmental
	Utility	Solid Waste Management	Total	Self-Insurance Internal Service
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	\$ 6,934,809	\$ 2,574,205	\$ 9,509,014	\$ 3,778,167
Cash paid for goods and services	(2,026,598)	(1,597,242)	(3,623,840)	(3,208,489)
Cash paid to or on behalf of employees for services	(1,124,850)	(654,816)	(1,779,666)	-
Customer deposits received	35,000	-	35,000	-
Customer deposits returned	(26,589)	-	(26,589)	-
Other operating activities	2,029	89,038	91,067	-
Net cash provided (used) by operating activities	<u>3,793,801</u>	<u>411,185</u>	<u>4,204,986</u>	<u>569,678</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Intergovernmental non-operating revenues received	-	16,319	16,319	-
Transfers from other funds	1,494,003	-	1,494,003	-
Net cash provided (used) by noncapital financing activities	<u>1,494,003</u>	<u>16,319</u>	<u>1,510,322</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(12,207,580)	(126,537)	(12,334,117)	-
Proceeds from capital debt	14,500,000	-	14,500,000	-
Principal paid on bonds, notes and capital leases	(140,031)	-	(140,031)	-
Due from other governments	(305,312)	-	-	-
Capital contributions	490,519	-	-	-
Interest paid on bonds, notes and capital leases	(50,661)	-	(50,661)	-
Net cash provided (used) by capital and related financing activities	<u>2,286,935</u>	<u>(126,537)</u>	<u>2,160,398</u>	<u>-</u>
<b>Cash Flows from Investing Activities:</b>				
Interest on investments	318,094	90,093	408,187	46,468
Net increase (decrease) in cash and cash equivalents	7,892,833	391,060	8,283,893	616,146
<b>Cash and cash equivalents:</b>				
Beginning of year - July 1	12,556,349	2,516,513	15,072,862	2,152,484
End of year - June 30	<u>\$ 20,449,182</u>	<u>\$ 2,907,573</u>	<u>\$ 23,356,755</u>	<u>\$ 2,768,630</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income	\$ 2,133,768	\$ 206,963	\$ 2,340,731	\$ 523,874
<b>Adjustment to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation and amortization	877,318	189,192	1,066,510	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	625,595	26,350	651,945	16,022
(Increase) decrease in due from other governments	121,881	4,554	126,435	-
Increase (decrease) in accounts payable and accrued liabilities	11,429	(16,598)	(5,169)	29,782
Increase (decrease) in customer deposits	8,411	-	8,411	-
Increase (decrease) in compensated absences payable	15,399	724	16,123	-
Total adjustments	<u>1,660,033</u>	<u>204,222</u>	<u>1,864,255</u>	<u>45,804</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 3,793,801</u>	<u>\$ 411,185</u>	<u>\$ 4,204,986</u>	<u>\$ 569,678</u>

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

## CHATHAM COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Fiduciary Funds</u>	<u>Agency Funds</u>
<b>Assets:</b>		
Cash, cash equivalents and investments	\$ 285,445	\$ 337,283
Property taxes receivables, net	-	147,747
Due from other governmental agencies	-	29,228
Other receivables	<u>1,606</u>	<u>849</u>
Total assets	<u>\$ 287,051</u>	<u>\$ 515,107</u>
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable and other accrued liabilities	\$ 3,358	\$ -
Due to agency participants	-	108,365
Due to other government agencies	<u>2,900</u>	<u>406,742</u>
Total liabilities	<u>6,258</u>	<u>515,107</u>
<b>Net Assets:</b>		
Assets held in trust for employees' pension benefits	281,025	-
Assets held in trust for employees' medical and child care benefits	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 281,025</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, 2008**

	<b>Fiduciary Funds</b>
	<u>                    </u>
<b>Additions:</b>	
Employee contributions	\$ 92,524
Investment earnings	<u>22,097</u>
Total additions	<u>114,621</u>
 <b>Deductions:</b>	
Benefit payments	<u>139,608</u>
 Net change in assets	 (24,987)
 <b>Net Assets:</b>	
Beginning of year - July 1	<u>306,012</u>
End of year - June 30	<u><u>\$ 281,025</u></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, 2008

### 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, located in the central part of the State, and has a population of approximately 61,455. 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, 2008. The District will be reported as an Enterprise Fund in future years when it does have financial transactions and account balances. The District is reported as an Enterprise Fund and 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, 2008. 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, 2008

### **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, 2008. 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 nonexchange 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, 2008

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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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.

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

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

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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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.

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.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

*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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, donations, and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from 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 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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

in the County. For motor, 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 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements.

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

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

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

### **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, 2008

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. Stewardship, Compliance and Accountability**

#### **Deficit Fund Balance or Net Assets of Individual Funds**

The County is reporting deficit fund balance as follows:

Facilities Improvements Fund	<u>\$ 768,439</u>
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Management believes revenues will exceed expenditures in these funds in the subsequent years, sufficient to satisfy the fund deficits.

#### **Noncompliance with North Carolina General Statutes**

General Assembly Session law 2007-383 repealed Articles 1 and 2 of Chapter 62A and created Article 3 of Chapter 62A that created the State 911 Board. Effective January 1, 2008, unspent local 911 wireline fees held by Chatham County in the 911 Special Revenue Fund should have been transferred to the General Fund for unrestricted usage. The County did not transfer the unspent 911 wireline funds of \$1,152,638 before June 30, 2008, resulting in a violation of the session law discussed herein.

The County's interpretation of the Statute was that since the funds could be spent "for any lawful purpose", a transfer was not necessary. However, the County will transfer the funds to the General Fund for the year ending June 30, 2009 in compliance with the Statute.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### H. Assets, Liabilities, and Fund Equity

#### 1. Deposits and Investments

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

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

The County'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.

#### 2. Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

#### 3. 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.

#### 4. 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.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### 5. 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.

### 6. 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.

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.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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

### 7. 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.

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

The County has constructed new school facilities, county office facilities, 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.

### 8. 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.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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.

### 10. Net Assets/Fund Balances

#### Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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.

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 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.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### 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.

## II. Detail Notes on All Funds

### A. Assets

#### 1. Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments of the County as of June 30, 2008 include the following:

	<u>Reported Value</u>	<u>Fair Value</u>
Cash on hand	\$ 1,793	\$ 1,793
Deposits - NOW, SuperNOW, MMDA and certificates of deposit	19,654,024	19,654,024
North Carolina Capital Management Trust	<u>57,873,580</u>	<u>57,873,580</u>
Total	<u>\$ 77,529,397</u>	<u>\$ 77,529,397</u>

#### 2. Deposits

All the deposits of the County and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the County's or the ABC Board's agents in their 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 noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, 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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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.

At June 30, 2008, the County's deposits had a carrying amount of \$19,654,024 and a bank balance of \$20,773,375. Of the bank balance, \$305,202 was covered by federal depository insurance, and \$20,468,173 was covered by collateral held under the Pooling Method. The County had \$1,793 of cash on hand at year-end.

At June 30, 2008, the carrying amount of deposits for Chatham County ABC Board was \$671,949 and the bank balance was \$663,472. All of the bank balance was covered by federal depository insurance. The ABC Board had \$1,900 of cash on hand at year-end.

### 3. Investments

At June 30, 2008, 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	<u>\$ 57,873,580</u>	<u>\$ 57,873,580</u>

*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, 2008.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**4. Receivables**

Receivables at the government-wide level at June 30, 2008 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	\$ 2,301,548	\$ 358,196	4,594,111	\$ 7,253,855
Other governmental	<u>201,576</u>	<u>19,965</u>	<u>301,912</u>	<u>523,453</u>
	2,503,124	378,161	4,896,023	7,777,308
Allowance for doubtful accounts	<u>392,966</u>	<u>-</u>	<u>-</u>	<u>392,966</u>
Total governmental activities	<u>\$ 2,110,158</u>	<u>\$ 378,161</u>	<u>\$ 4,896,023</u>	<u>\$ 7,384,342</u>
<b>Business-Type Activities:</b>				
Utility	\$ -	\$ 648,500	\$ 442,295	\$ 1,090,795
Solid waste management	<u>-</u>	<u>113,699</u>	<u>30,801</u>	<u>144,500</u>
	-	762,199	473,096	1,235,295
Allowance for doubtful accounts	<u>-</u>	<u>24,684</u>	<u>-</u>	<u>24,684</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 737,515</u>	<u>\$ 473,096</u>	<u>\$ 1,210,611</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Governmental Activities:**

Local option sales tax	\$	3,096,994
Video programming		36,500
Sales tax refunds		342,441
Sales of surplus property		106,155
Federal and state grants		<u>1,313,933</u>
Total governmental activities	\$	<u><u>4,896,023</u></u>

**Business-Type Activities:**

Sales tax refunds	\$	247,351
White goods disposal tax		4,991
Scrap tire tax		17,146
Local municipality		107,750
Federal and state grants		<u>95,858</u>
Total business-type activities	\$	<u><u>473,096</u></u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**5. Capital Assets**

Governmental capital assets at June 30, 2008 were as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2008</u>
<b>Nondepreciable assets:</b>				
Land	\$ 3,465,564	\$ 2,984,730	\$ (104,739)	\$ 6,345,555
Construction in progress	<u>19,226,407</u>	<u>10,331,297</u>	<u>(228,146)</u>	<u>29,329,558</u>
Total	<u>22,691,971</u>	<u>13,316,027</u>	<u>(332,885)</u>	<u>35,675,113</u>
<b>Depreciable assets:</b>				
Buildings	15,177,535	325,472	(39,742)	15,463,265
Equipment and vehicles	<u>8,000,597</u>	<u>1,143,798</u>	<u>(233,667)</u>	<u>8,910,728</u>
Total	<u>23,178,132</u>	<u>1,469,270</u>	<u>(273,409)</u>	<u>24,373,993</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(9,422,760)	(189,140)	7,876	(9,604,024)
Equipment and vehicles	<u>(5,702,527)</u>	<u>(956,474)</u>	<u>401,206</u>	<u>(6,257,795)</u>
Total	<u>(15,125,287)</u>	<u>(1,145,614)</u>	<u>409,082</u>	<u>(15,861,819)</u>
Depreciable assets, net	<u>8,052,845</u>	<u>323,656</u>	<u>135,673</u>	<u>8,512,174</u>
Total governmental activities capital assets, net	<u>\$ 30,744,816</u>	<u>\$ 13,639,683</u>	<u>\$ (197,212)</u>	<u>\$ 44,187,287</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Governmental Activities:**

General government	\$ 365,352
Public safety	607,045
Human services	113,190
Environmental protection and economic development	16,158
Cultural and recreational	<u>43,869</u>
Total	<u>\$ 1,145,614</u>

**Business-Type Activities:**

Utility	\$ 877,318
Solid waste management	<u>189,192</u>
Total	<u>\$ 1,066,510</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

Enterprise Fund capital assets at June 30, 2008 were as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Utility Fund:</b>				
<b>Nondepreciable assets:</b>				
Land	\$ 303,423	\$ -	\$ -	\$ 303,423
Construction in progress	<u>13,481,248</u>	<u>10,320,500</u>	<u>(437,895)</u>	<u>23,363,853</u>
Total	<u>13,784,671</u>	<u>10,320,500</u>	<u>(437,895)</u>	<u>23,667,276</u>
<b>Depreciable assets:</b>				
Buildings	4,449,153	-	-	4,449,153
Wells and water lines	25,905,446	56,339	-	25,961,785
Equipment and vehicles	<u>1,065,168</u>	<u>474,274</u>	<u>(2,568)</u>	<u>1,536,874</u>
Total	<u>31,419,767</u>	<u>530,613</u>	<u>(2,568)</u>	<u>31,947,812</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(2,612,664)	(273,852)	-	(2,886,516)
Wells and water lines	(4,166,402)	(66,109)	-	(4,232,511)
Equipment and vehicles	<u>(889,146)</u>	<u>(537,357)</u>	<u>2,568</u>	<u>(1,423,935)</u>
Total	<u>(7,668,212)</u>	<u>(877,318)</u>	<u>2,568</u>	<u>(8,542,962)</u>
Depreciable assets, net	<u>23,751,555</u>	<u>(346,705)</u>	<u>-</u>	<u>23,404,850</u>
Total utility fund capital assets, net	<u>\$ 37,536,226</u>	<u>\$ 9,973,795</u>	<u>\$ (437,895)</u>	<u>\$ 47,072,126</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Solid Waste Management Fund:</b>				
<b>Nondepreciable assets:</b>				
Land	\$ 294,890	\$ -	\$ -	\$ 294,890
Construction in progress	225,410	46,828	-	272,238
Total	<u>520,300</u>	<u>46,828</u>	<u>-</u>	<u>567,128</u>
<b>Depreciable assets:</b>				
Buildings	1,797,817	-	-	1,797,817
Equipment and vehicles	1,742,091	79,711	(10,865)	1,810,937
Total	<u>3,539,908</u>	<u>79,711</u>	<u>(10,865)</u>	<u>3,608,754</u>
<b>Less accumulated depreciation for:</b>				
Buildings	(1,162,631)	(78,315)	-	(1,240,946)
Equipment and vehicles	(1,526,518)	(110,877)	10,864	(1,626,531)
Total	<u>(2,689,149)</u>	<u>(189,192)</u>	<u>10,864</u>	<u>(2,867,477)</u>
Depreciable assets, net	<u>850,759</u>	<u>(109,481)</u>	<u>(1)</u>	<u>741,277</u>
Total solid waste fund capital assets, net	<u>\$ 1,371,059</u>	<u>\$ (62,653)</u>	<u>\$ (1)</u>	<u>\$ 1,308,405</u>
Total business-type activities capital assets, net	<u>\$ 38,907,285</u>	<u>\$ 9,911,142</u>	<u>\$ (437,896)</u>	<u>\$ 48,380,531</u>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Discretely Presented Component Units**

Activity for the ABC Board for the year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Depreciable assets:</b>				
Leasehold improvements	\$ 11,527	\$ -	\$ -	\$ 11,527
Equipment and fixtures	<u>83,390</u>	<u>13,494</u>	<u>-</u>	<u>96,884</u>
	94,917	13,494	-	108,411
Less accumulated depreciation	<u>(79,618)</u>	<u>(4,617)</u>	<u>483</u>	<u>(83,752)</u>
Total	<u>\$ 15,299</u>	<u>\$ 8,877</u>	<u>\$ 483</u>	<u>\$ 24,659</u>

**Construction Commitments**

The government has active construction projects as of June 30, 2008. 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	\$ 6,367,520	\$ 217,218
Dunlap Renovations	1,275,646	-
Jordan Lake Water Treatment Plant Upgrade	330,000	309,000
Judicial Facility	519,420	1,303,580
North Chatham Hydraulic	2,306,466	27,411
Raw Water Pump Station	110,500	172,000
3M Reuse	261,308	257,223
Silk Hope Water Line	1,159,583	-
Social Services Building Renovations	4,075,896	1,033,520
Southern Supreme	327,169	-
USDA-Water District	93,936	62,624
Westward Distribution	<u>10,717,102</u>	<u>927,427</u>
Total	<u>\$ 27,544,546</u>	<u>\$ 4,310,003</u>

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

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2008 were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 1,302,939	\$ 568,789	\$ 1,871,728
Internal service	118,482	-	118,482
Other governmental	1,159,752	-	1,159,752
Total governmental activities	\$ 2,581,173	\$ 568,789	\$ 3,149,962
 <b>Business-Type Activities:</b>			
Utility	\$ 1,220,538	\$ 31,977	\$ 1,252,515
Solid waste management	58,887	16,825	75,712
Total business-type activities	\$ 1,279,425	\$ 48,802	\$ 1,328,227

**2. Operating Leases**

The ABC Board occupies facilities in Chapel Hill, Moncure and Governor's Village. The base monthly rental rate for the Chapel Hill property is \$1,708 and the Moncure property is \$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:

<b>Year Ended June 30</b>	<b>Amount</b>
2009	29,764
2010	27,304
2011	4,168
Total	\$ 61,236

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**3. Long-Term Debt**

Long-term debt obligations of the County at June 30, 2008 consisted of the following:

	<b>Serviced By</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>General Obligation Bonds</b>		
School bonds issued October 1, 1996; interest at 4.70% to 5.25%; due serially to 2011	\$ 1,195,000	\$ -
Refunding bonds, Series 2001 issued September 1, 2001; interest at 3.00% to 4.25%, due serially to 2012	3,370,000	-
Refunding bonds, Series 2004 issued April 6, 2004; interest at 2.25% to 4.00%; due serially to 2016	8,810,000	-
 Total general obligation bonds	\$ 13,375,000	\$ -

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Serviced By</b>	
	<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	\$ 309,696	\$ -
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-	37,034	-
Certificates of Participation issued in November 2006 for the construction of an elementary school, additions to and renovation of an existing high school, addition and renovation of the Department of Social Services Building, construction of roads, water lines and sewer lines for the County Business Campus, other miscellaneous school capital projects; collateralized by real estate	35,395,000	-
Private placement loan with a financial institution; due in semi-annual installments of \$533,317 including interest at 4.07%; maturing in 2028; collateralized by water distribution system		14,500,000
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	-	736,667
State revolving loan with North Carolina Department of Environment and Natural Resources; due in annual installments of \$17,782 plus interest at 2.55%; maturing in 2020	-	213,387
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	-	124,833
<b>Total other long-term obligations</b>	<b>\$ 35,741,730</b>	<b>\$ 21,804,122</b>

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**4. 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, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 15,200,000	\$ -	\$ (1,825,000)	\$ 13,375,000	\$ 1,790,000
Other long-term obligations	<u>35,783,853</u>	<u>-</u>	<u>(42,123)</u>	<u>35,741,730</u>	<u>242,569</u>
	50,983,853	-	(1,867,123)	49,116,730	2,032,569
Compensated absences	<u>1,158,381</u>	<u>875,896</u>	<u>(731,510)</u>	<u>1,302,767</u>	<u>731,510</u>
	<u>\$ 52,142,234</u>	<u>\$ 875,896</u>	<u>\$ (2,598,633)</u>	<u>\$ 50,419,497</u>	<u>\$ 2,764,079</u>
<b>Business-Type Activities:</b>					
Other long-term obligations	\$ 7,444,153	\$ 14,500,000	\$ (140,031)	\$ 21,804,122	\$ 934,902
Compensated absences	<u>92,347</u>	<u>67,859</u>	<u>(51,736)</u>	<u>108,470</u>	<u>64,985</u>
	<u>\$ 7,536,500</u>	<u>\$ 14,567,859</u>	<u>\$ (191,767)</u>	<u>\$ 21,912,592</u>	<u>\$ 999,887</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, 2008

### 5. Maturities of Long-Term Debt

The annual requirements to retire all debt outstanding, other than compensated absences, at June 30, 2008, including interest, are as follows:

#### Governmental Activities:

Year Ending June 30	General Obligation Bonds		Other Long-Term Obligations		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,790,000	\$ 491,388	\$ 242,569	\$ 1,650,857	\$ 2,032,569	\$ 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	1,750,000	225,075	230,690	1,617,413	1,980,690	1,842,488
2014-2018	4,635,000	339,575	4,133,464	7,902,063	8,768,464	8,241,638
2019-2023	-	-	8,452,769	6,490,763	8,452,769	6,490,763
2024-2028	-	-	8,450,000	4,530,188	8,450,000	4,530,188
2029-2033	-	-	8,450,000	2,449,375	8,450,000	2,449,375
2034-2036	-	-	5,065,000	464,075	5,065,000	464,075
Total	<u>\$ 13,375,000</u>	<u>\$ 2,128,201</u>	<u>\$ 35,741,730</u>	<u>\$ 30,006,454</u>	<u>\$ 49,116,730</u>	<u>\$ 32,134,655</u>

#### Business-Type Activities:

2008	\$ -	\$ -	\$ 934,902	\$ 777,933	\$ 934,902	\$ 777,933
2009	-	-	954,577	744,620	954,577	744,620
2010	-	-	975,052	710,504	975,052	710,504
2011	-	-	996,361	675,557	996,361	675,557
2012	-	-	1,018,537	639,739	1,018,537	639,739
2013-2017	-	-	5,061,571	2,661,305	5,061,571	2,661,305
2018-2022	-	-	5,535,898	1,751,471	5,535,898	1,751,471
2023-2027	-	-	6,327,224	705,573	6,327,224	705,573
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,804,122</u>	<u>\$ 8,666,702</u>	<u>\$ 21,804,122</u>	<u>\$ 8,666,702</u>

At June 30, 2008, the County had a legal debt margin of \$519,597,634.

### 6. 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, 2008

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.

### 7. 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, 2008, the amount of industrial revenue bonds outstanding approximated \$2,900,000.

### 8. Deferred / Unearned Revenues

The balance in deferred/unearned revenues at June 30, 2008 is composed of the following elements:

	<u>Revenue</u>	<u>Revenue</u>
Prepaid taxes not yet earned (General Fund)	\$ -	\$ 257,574
Prepaid taxes not yet earned (Special Revenue Fund)	-	22,308
Taxes receivable, net (General Fund)	1,950,080	-
Taxes receivable, net (General Fund)	160,078	-
Health department fees receivable, net (General Fund)	10,980	-
	<u>\$ 2,121,138</u>	<u>\$ 279,882</u>

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### 9. Pension Plan Obligations

#### A. Local Governmental Employees' Retirement System

##### 1. 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.

##### 2. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 5.38% of annual covered payroll. The contribution requirements of members, the County, and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$778,830, \$707,349, and \$692,734, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006 were \$5,697, \$6,254, and \$7,140, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

#### B. Law Enforcement Officers' Special Separation Allowance

##### 1. 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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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.

All full-time County law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2007 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>71</u>
Total	<u><u>74</u></u>

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

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

#### Method Used to Value Investments

Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

### 3. 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 did not make a contribution. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

The annual required contribution for the current year was determined as part of the December 31, 20076 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.

**4. 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	\$	33,303
Interest on net pension obligation		(7,376)
Adjustment to annual required contribution		6,252
Annual pension cost		32,179
Contributions made		-
Increase in net pension asset		32,179
Net pension asset:		
Beginning of year - July 1		(101,739)
End of year - June 30	\$	(69,560)

**Three Year Trend Information**

Fiscal Year Ended	Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 42,674	93.73%	\$ (94,490)
6/30/2007	32,751	122.13%	(101,739)
6/30/2008	32,179	0.00%	(69,560)

**Funded Status and Funding Progress.** As of December 31, 2006, the most recent actuarial valuation date, the plan was 60.64% percent funded. The actuarial liability for benefits was \$464,246, and the actuarial value of assets was \$281,505, resulting in an unfunded actuarial accrued liability (UAAL) of \$182,741.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

The covered payroll (annual payroll of active employees covered by the plan) was \$2,479,871, and the ratio of the UAAL to the covered payroll was 7.37% percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### C. Supplemental Retirement Income Plan for Law Enforcement Officers

#### Plan Description

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

General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

#### Funding Policy

Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2008 were \$171,983, which consisted of \$130,979 from the County and \$41,004 from the law enforcement officers.

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

#### Plan Description

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

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### **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, 2008 were \$878,390 which consisted of \$599,562 from the County and \$278,828 from the employees.

### **E. 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, 2008 were \$27,583 from employees.

### **F. Register 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 that is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registered of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### **Funding Policy**

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$6,447.

### **G. 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, five 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.

### **H. Other Employment Benefits**

The County has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a 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, 2008, the County made contributions to the State for death benefits of \$7,178. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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.

**I. 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	\$ 279,651	\$ 5,794	\$ 285,445
Other receivables	1,606	-	1,606
Total assets	281,257	5,794	287,051
<b>Liabilities:</b>			
Accounts payable and other accrued liabilities	232	5,794	6,026
<b>Net Assets:</b>			
Assets held in trust for employees' pension benef	281,025	-	281,025
Assets held in trust for employees' medical and child care benefits	-	-	-
Total net assets	\$ 281,025	\$ -	\$ 281,025

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	\$ -	\$ -	\$ -
Employee contributions	-	92,524	92,524
Investment earnings	22,093	4	22,097
Total additions	22,093	92,528	114,621
 <b>Deductions:</b>			
Benefit payments	37,826	101,782	139,608
 Net change in assets	 (15,733)	 (9,254)	 (24,987)
 Net assets:			
Beginning of year - July 1	296,758	9,254	306,012
End of year - June 30	\$ 281,025	\$ -	\$ 281,025

The two trust funds do not issue financial statements.

**5. Risk Management**

The County and the ABC Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases insurance for property, general liability, automobile, errors and omissions, law enforcement liability, and employment practices liability. The County's property is insured based on actual value up to a limit of \$45,307,322. General liability coverage is \$2,000,000 per occurrence, with a \$5,000,000 general aggregate, and automobile liability is \$2,000,000 per occurrence. The public entity management liability (errors and omissions) and the law enforcement liability coverage is \$2,000,000 per occurrence, with a \$4,000,000 general aggregate. The employment practices liability coverage is \$2,000,000 per occurrence, with a \$2,000,000 general aggregate. The County participates in a self-funded risk financing pool administered by a private company. Through this pool, the County self-insures for 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, 2008

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.

### **6. 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.

### **7. 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, 2008

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

Accrued claims and judgments, June 30, 2006	\$ 222,000
Additions	2,271,579
Benefits paid	<u>(2,405,579)</u>
Accrued claims and judgments, June 30, 2007	88,000
Additions	2,653,783
Benefits paid	<u>(2,622,783)</u>
Accrued claims and judgments, June 30, 2008	<u>\$ 119,000</u>

### 8. Landfill Closure and Postclosure Costs

The County closed its landfill facility in October 1993 and placed a cover on the site. The County is required to perform semi-annual monitoring functions at the site. Costs that relate to monitoring activities are expensed as incurred. Postclosure costs for the fiscal year ended June 30, 2008 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, 2008, the County incurred costs towards the acquisition of land for the buffer zone at a cost of \$46,826. Future postclosure costs will be expensed as incurred.

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**C. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2008 are as follows:

<b>Payable Fund</b>	<b>Receivable Fund Capital Improvement Reserve</b>
<b>Facilities Improvement</b>	<b>\$ 64,459</b>

Amounts due to the Facilities Improvements Fund from the Capital Improvement Reserve Fund represents \$64,459 cash advances to cover.

**Transfers to/from Other Funds**

Transfers to/from other funds at June 30, 2008 consist of the following:

<b>Fund Type</b>	<b>Fund Name</b>	<b>To</b>	<b>From</b>	<b>Purpose</b>
General Fund	General Fund	\$ 1,360,794		Fund Northeast District Park land purchase
Special Revenue	Recreation Exaction		\$ 1,360,794	
General Fund	General Fund	20,186		Fund equipment purchase
Special Revenue	Emergency Vehicles		20,186	
General Fund	General Fund	1,055,624		Service debt payments
Special Revenue	Impact Fees		1,055,624	
General Fund	General Fund	593,789		Service debt payments
Special Revenue	Capital Improvements Reserve		593,789	
Special Revenue	Equipment Reserve	1,100,000		Fund reserve for future equipment purchases
General Fund	General Fund		1,100,000	
Special Revenue	Capital Improvements Reserve	3,410,007		Service future debt on planned capital projects
General Fund	General Fund		3,410,007	
Capital Project	Imaging	100,000		Fund imaging project for scanning documents
General Fund	General Fund		100,000	
Enterprise Fund	Utility Capital Projects	130,000		Fund capital projects
General Fund	General Fund		130,000	
Enterprise Fund	Utility Capital Projects	1,364,003		Fund water capital projects
General Fund	General Fund		1,364,003	
Enterprise Fund	Utility Capital Reserve	900,000		Fund reserve for future equipment purchases
Enterprise Fund	Utility Operating		900,000	
Enterprise Fund	Landfill Boundary	60,000		Fund landfill boundary expenses
Enterprise Fund	Waste Management Operating	-	60,000	
		<b>\$ 10,094,403</b>	<b>\$ 10,094,403</b>	

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

### III. 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, 2008.

### IV. 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, 2008. The County appropriated \$408,667 to the Authority to supplement its activities for the year ended June 30, 2008.

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 \$498,688 to the Community College for operating purposes during the fiscal year ended June 30, 2008. 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, 2008.

# CHATHAM COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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 \$278,410 to the Corporation during the fiscal year ended June 30, 2008. 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, 2008.

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

### **V. Jointly Governed Organizations**

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

The County, in conjunction with four other counties and twenty municipalities, established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$40,243 to the Council during the fiscal year ended June 30, 2008.

### **VI. Benefit Payments Issued by the State**

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

**CHATHAM COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 28,095,844	\$ 14,467,719
Food Stamp Program	3,584,233	-
Temporary Assistance for Needy Families	270,897	-
Adoption Assistance	206,769	53,963
Foster Care	136,847	31,137
Low Income Energy Assistance	68,660	-
State/County Special Assistance for Adults	-	486,839
Women, Infants, and Children	1,216,405	-
Other	<u>1,636</u>	<u>168,496</u>
Total	<u>\$ 33,581,291</u>	<u>\$ 15,208,154</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.