



Cabarrus County North Carolina

"Soaring to New Heights"

Comprehensive Annual Financial Report

For the Year Ended June 30, 2008

On the Cover

A progressive and rapidly growing community, Cabarrus County prides itself in rising to the opportunities and challenges that growth brings, which is symbolically represented by the Hot Air Balloons at Kannapolis' Village Fest on the front cover. The photo was taken by Cabarrus resident Marcello Aquino, and was an entry in a photography contest sponsored by the County to showcase its neighborhoods. His photo won Best of Show in the Adult Advanced Category.

www.cabarruscounty.us

Cabarrus County

North Carolina

Comprehensive Annual Financial Report

For the year ended June 30, 2008

**Prepared by
Cabarrus County Finance**

**Pamela S. Dubois
Deputy County Manager**



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Finance Department

October 31, 2008

To the County Manager, Members of the Board of Commissioners, and Citizens of Cabarrus County:

State law requires that all general-purpose local governments publish within four months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the County of Cabarrus (the County) for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Potter and Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2008, are presented fairly in all material respects with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Comprehensive Annual Financial Report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Profile of the County

The County, incorporated in 1792, is located in the Piedmont section of the State and is bordered on the North by Rowan and Iredell counties, on the East by Stanly County, on the South by Union county and on the West by Mecklenburg County; it comprises approximately 230,400 acres. There are seven municipalities in the County, the largest of which is the City of Concord, also the County seat. Concord is situated approximately 124 miles from the City of Raleigh, North Carolina and 18 miles northeast of the City of Charlotte, North Carolina. The second largest municipality is the City of Kannapolis. The Towns of Mount Pleasant, Harrisburg, Midland, Locust and Stanfield are smaller municipalities in the County. The County serves a population of 164,384. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County has operated under the Board of Commissioners/County Manager form of government since 1976. Policy-making and legislative authority are vested in a governing board consisting of five commissioners. The governing board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the county's manager and attorney. The county's manager is responsible for carrying out the policies and ordinances of the governing board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The board is elected on a partisan basis. Board members serve four-year staggered terms, with new members (two or three) elected every two years.

The annual budget serves as the foundation for the County's financial planning and control. All agencies of the County are required to submit requests for appropriation to the county's manager on or before the end of February each year. The county's manager uses these requests as the starting point for developing a proposed budget and to adopt a final budget by no later than June 30, the close of the County's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., law enforcement). The county's manager may transfer amounts between objects of expenditures and revenues within a function without limitation. He may transfer amounts up to \$100,000 between functions of the same fund. He may not transfer any amounts between funds or from any contingency appropriation within any fund without action of the Board of Commissioners. The manager may also transfer amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Cabarrus County Personnel Management Policy and the Cabarrus County Personnel Ordinance. Any other changes require the special approval of the Board. Budget-to-actual comparisons are

provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on Exhibit 5 as part of the basic financial statements for the governmental funds. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the special revenue funds and the capital projects funds).

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy. The County is one of six counties located in the Charlotte-Gastonia-Concord, NC-SC Metropolitan Statistical Area (the “Charlotte MSA”), which consists of Anson, Cabarrus, Gaston, Mecklenburg and Union Counties in North Carolina and York in South Carolina. The Charlotte MSA, which is anchored by the City of Charlotte, is the economic center and the largest metropolitan area in the Carolinas, and its population growth is one of the fastest in the Southeast.

Until fairly recently, the County’s economy was primarily dependent on agriculture and the textile industry, but the County’s proximity to Charlotte and access to major interstate highways have helped diversify the County’s economy through investments in manufacturing, retail, motorsports, warehousing & distribution and entertainment industries. These investments have helped to offset the depletion of farmland and recent downturns in the textile industry.

A summary of significant recent developments in these industries follows.

Manufacturing. The principal products manufactured in the County now include optical fiber, textiles, food, cigarettes, printing and publishing, concrete products, lumber and wood, specialized coloring, fabricated metal and machinery products, mobile and modular home components, and corrugated packaging.

Castle & Cooke is currently redeveloping the former Pillowtex properties in Kannapolis as a major mixed use development with the centerpiece of the development constituting the North Carolina Research Campus (the “*Research Campus*”). This is a multi-purpose campus expected to house state-of-the-art research equipment, research space and laboratory space and expected to become home to over 100 biotechnology companies. The Research Campus will be collaboration among the public and private sector. Public sector partners already include The University of North Carolina at Chapel Hill, North Carolina State University, the University of North Carolina at Charlotte, the University of North Carolina at Greensboro, North Carolina A&T University, Duke University and Rowan-Cabarrus Community College with additional university connections being announced monthly. The private sector partners already announced include the Dole Nutrition Institute, Angiogen, Anatomics, Bio-Marker group and RedHat. Carolinas Medical Center – Northeast (the County’s largest employer) is also a major partner in the Research Campus.

To facilitate the development and finance public improvements needed, the City of Kannapolis has created the North Carolina Research Campus Financing District (the

“Development District”), pursuant to the State’s project development financing act authorized in 2005. This district is comprised of approximately 863 acres within the County and Rowan County. The Development District was created to finance infrastructure within and around the Development District to support the Research Campus. The boundaries of the Development District were created to capture the area in which such infrastructure is needed. The Research Campus is approximately 240 acres within the Development District. The development plan for the Development District contemplates that, when completed, the Research Campus will include more than two million square feet of office and laboratory space, 600,000 square feet of new retail and commercial space, 400,000 square feet of academic and civic space and approximately 1,100 new residential units.

Other manufacturing facilities produce a wide variety of goods for national and international distribution. The following are just a few examples of these industries. Corning, Inc.’s fiber optics facility in Midland, which had been “mothballed,” has reopened and officials expect the facility to increase capacity as the fiber optic market improves globally. S&D Coffee is a major roaster and distributor of coffee products for institutional and restaurant use and is headquartered in Concord. The International Business Park includes a number of manufacturers, the most recent of which is PreGel USA, a producer of gelato products that has already announced a major expansion.

Warehousing and Distribution. The distribution, warehousing, and shipping industry is another growing sector of the County’s economy, as the County continues to be a cost-effective alternative for Charlotte area distributors. This industry benefits from the County’s proximity to the City of Charlotte (a regional trucking and manufacturing center with a major commercial international airport) and from access to I-85, which has seven existing interchanges in the County. New interchanges on the Charlotte Outerbelt, I-485, opened in 2004, provide almost direct access from the Outer belt to the County in a number of areas. In addition, I-77 interchanges with I-85 and three other major highways within 15 miles of the County. Examples of companies building or expanding distribution centers include: Saddle Creek, a large Florida logistics company, which opened a 350,000 square foot rail served distribution center in Harrisburg (from which it serves Wal-Mart, America’s largest retailer); and Caffey Distributing, a Greensboro-based beer distributor, which in 2002 began operating a 130,000 square foot distribution center near I-85 and the Concord Regional Airport. Saddle Creek has announced planned expansions that will more than double the size of the Harrisburg facility.

Childress Klein, a leading developer of warehouse and distribution properties is developing 275 acres of vacant land in Kannapolis. This property is located at the interchange of I-85 and the Kannapolis Parkway and includes a new complex with 2.5 million square feet of flex office, warehouse and distribution space. The development plans also included 400,000 square feet of retail use much of which is already open. The overall investment is expected to reach \$140 million and create 2,800 jobs over the next decade.

Entertainment. Another example of the County’s diverse economy is Lowe’s Motor Speedway (*“LMS”*), a major sports and recreational facility which regularly hosts activities that draw over 167,000 people. Each year, LMS hosts nine primary events, including three major NASCAR racing events that extend over a ten-day period for each event. Facilities at LMS include a seven-story office building and conference center topped by a restaurant and private club. Recent expansions include additions to grandstand seating, a new infield media center and the construction of condominium units. LMS has built a \$60 million drag strip facility that is located on LMS property and will host its first event in the fall of 2008. LMS also plans to

replace the suites and general admission seating as well as other improvements to the existing speedway to enhance the fan experience.

The City of Concord and Embassy Suites Hotels recently constructed a new Convention Center and full-service hotel on Speedway Boulevard. This complex is located equal distance between LMS and the Concord Mills Mall. The project has already been successful enough that a second hotel tower has been announced.

Motorsports. As ground zero for “NASCAR Valley,” the County is home to LMS, NASCAR Research & Development, DIRT Motorsports national headquarters, the DIRT Track at LMS, Concord Motorsports Park, four driving schools, Hendrick Motorsports, Roush Racing, Chip Ganassi Racing with Felix Sabates Racing, Haas CNC Racing, ST/Wood Motorsports and over 200 other motorsports-related businesses.

Recent developments involving the motorsports businesses include Windshear, a California based company, which has built a \$40 million wind tunnel, which is the only publicly available wind tunnel in North America using “rolling road” technology. This facility allows for full-scale testing of race cars at speeds of 180 miles per hour. ST/Wood Motorsports recently relocated its operations to a 123,000 square-foot building in Harrisburg. Haas CNC Racing opened a state-of-the-art, 140,000 square foot racing facility which doubles the size of its former facility.

These businesses and other motorsports-related support businesses are important factors in the County’s economy and the County constantly works to support and build the infrastructure needed to sustain, maintain and develop this important industry.

Retail. During June 1997, the Mills Corporation and Simon-DeBartolo Company completed the acquisition of approximately 165 acres located in the southwest quadrant of the King’s Grant interchange at I-85, and developed Concord Mills Mall, which opened its doors in September 1999. The 1.4 million square foot facility has over 200 stores, cost approximately \$240 million to complete and is generating an estimated \$300 million annually in retail sales. Concord Mills Mall is the State’s largest tourism draw and continues to create additional spin-off retail development on adjacent properties. Additional projects have been built or announced that make the area a primary retail center for the entire MSA.

There are a number of new retail centers that have been constructed or are under construction throughout the County as a result of the population increase that has occurred. Some of these are part of much larger mixed-use developments that also include services, employment and residential uses. The Northlite Center, in the northern part of the County, is anchored by Sam’s Club, Wal-Mart and Kohl’s. Harrisburg Town Center is a 100-acre mixed-use development on Highway 49, which includes 400 residential units and up to 500,000 square feet of office and retail space. Approximately two-thirds of the residential units and four office/retail buildings are complete. Three additional office/retail buildings are permitted. Three new grocery-anchored shopping centers have recently been completed. One is part of a larger mixed-use development that will contain approximately 250,000 square feet of office/retail space, 400 residential units and up to 500,000 square feet of office/light industrial space. Moss Creek is a mixed-use project on 500 acres at Highway 73 and Odell School Road. Development includes 1,400 housing units, an elementary and middle school and 200,000 square feet of office/retail space.

Industrial and Business Parks. A variety of other industrial and business parks located throughout the County have provided additional focus points for economic development. For companies investigating new operations or expansions in the Charlotte area, these parks provide alternatives to sites in Charlotte or Mecklenburg County. Public utility service is widely available to these parks. Following are brief descriptions of several of these parks.

Z-Max Industrial Park. Z-Max Industrial Park offers a rail served site with excellent highway access. The site is served by major utilities and is already home to motorsports related businesses including 600 Racing.

International Business Park. In early 1991, the Oiles America Corporation, a Japanese company, opened a manufacturing plant for self-lubricating bearings on approximately 25 acres in the County's International Business Park, which also is located near an interchange on I-85. Oiles America Corporation completed an expansion of its facilities in 1997 and currently employs 82 persons. In 1991, Pass & Seymour Legrand, a French company, opened a manufacturing plant at a cost exceeding \$20 million for electrical wiring devices on a 32 acre site in the park. Pass & Seymour Legrand currently employs approximately 425 persons at this site.

The owners of the International Business Park actively pursue private investment from around the world. Dai Nippon Printing Company Ltd. ("DNP") commenced operations in mid-1995 from a new 50,000 square foot facility in the Park that produces media (such as ribbons and tapes) and employs approximately 94 people. DNP acquired nine adjacent acres for expansion in 1996 and completed an expansion which more than doubled the size of its existing facility in 1997. Federal Express also completed development of an approximately 48,000 square foot facility in the Park in 1997.

SYSCO Corporation of Houston, Texas, a food service provider, completed the construction of a new warehouse/distribution complex in the Park in 1997 and a 135,000 square foot expansion in June 2000. This 435,000 square foot facility serves nearly all of North and South Carolina, as well as parts of Georgia and Virginia. SYSCO employs 575 persons. In addition, the Minka Group, a lighting products company, has constructed a 365,000 square foot facility which serves as its east coast distribution center.

The owners of International Business Park completed a 76,000 square foot high-end speculative building in 2004. This building is now home to over 750 employees including Connexions, a high end contact center, as well as other businesses.

In 2007, PreGel USA began construction of its \$20 million North American Headquarters in the International Business Park. This facility opened in 2008 and houses over 100 employees. They have already announced an expansion.

Concord Regional Airport/Airport Business Park. The City of Concord continues to develop a general aviation reliever airport on approximately 850 acres adjacent to I-85. This facility, known as Concord Regional Airport, has a 7,200 foot paved, fully instrumented runway with control tower, which can accommodate all corporate and commuter aircraft. Flight operations began at the airport in September 1994. The total cost for the airport was approximately \$27 million, which has been paid from City funds (4%) and State and Federal grant funds (16% and 80% respectively). The City has completed the construction of 67 T-hangars and 4 large conventional storage hangars at

the airport since the summer of 1995. A waiting list of about 30 airplanes now exists for additional hangar space. The airport currently has 170 aircraft based at the airport with an estimated total value of \$100 million.

The City contracted for a full-time air traffic control tower in September of 1998 to enhance aviation traffic safety. The airport has a full aircraft maintenance facility, three flight schools, four aircraft charter services, a full-time medical examiner, aircraft detailing, four airfreight providers, and a helicopter radio platform service. The City proposes to construct additional conventional hangar space to accommodate the tremendous demand for aircraft basing at Concord Regional Airport. Additional basing will increase revenues from storage and fuel sales. The runway was recently lengthened to 7,200 ft.

The City has completed the construction of the Airport Business Park and access roads to service other revenue generating acreage adjacent to the airport on the west side. Construction of a 120,000 square foot mixed use office and light industrial building has been completed and an additional 120,000 square foot facility is under construction. These buildings are the Roush Racing World Headquarters.

West Winds Industrial Park. The first phase of the West Winds Industrial Park, located directly across from the airport entrance, is complete, and an 18,000 square foot mixed office/industrial space has been completed. The West Winds Industrial Park includes a 45,000 square foot NASCAR R&D center to research new safety methods and a facility for National Tour, a NASCAR-related firm that builds and services haulers and product demonstration trailers. A 56,000 square foot speculative building has been occupied and there is additional land for development.

University Research Park. The County's close proximity to Charlotte and the University of North Carolina at Charlotte with its University Research Park, home to IBM and Verbatim, has fueled strong residential and commercial growth. The University and the University Research Park each lie within five miles of the County limits.

Kannapolis Gateway Park. The City of Kannapolis and Mark Pierce Poole Properties, Inc., a Charlotte real estate development firm specializing in industrial, retail and office properties, constructed a speculative industrial building in the Kannapolis Gateway Business Park. That building is now occupied by a distribution firm taking advantage of the park's location between I-85 and I-77. The 85 acre park is located one mile from a new interchange on I-85 and will feature approximately 753,000 square feet of industrial space and a 12 acre retail center, which has recently completed construction.

The AAC Project. With the opening of the eastern leg of I-485 in 2004, AAC Realty announced and gained approval for a project at Rocky River Road and I-485. The AAC project includes 200,000 square feet of retail space that is substantially complete and 650,000 square feet of office and light industrial space. Adjacent residential construction has also begun.

The County continues to experience rapid growth, largely attributable to the County's position in the Charlotte metropolitan region. The County believes that its short-range and long-range planning has provided the necessary infrastructure to accommodate anticipated growth, and the County cooperates with its municipalities in economic recruiting and development

efforts. The Cabarrus Economic Development Corporation (“CEDC”), which operates with a full-time staff, serves as the primary recruiting and marketing entity. Local jurisdictions approved a newly-structured CEDC that is administered by the Cabarrus Regional Chamber of Commerce. The structure greatly enhances efforts in business retention and expansion, entrepreneurship and new business recruitment. Given these changes, combined with the availability of sites within commercial and industrial parks with all municipal services available located near major highways and interstates, the County expects continued strong economic development in the area. The CEDC has been accredited by the International Economic Development Council which is an independent verification of the status of the organization.

The following table lists the 10 largest manufacturing and non-manufacturing employers in the County as of 2008:

<u>Employer</u>	<u>Service</u>	<u>Approximate Number of Employees</u>
Carolinas Medical Center - Northeast	Medical Center	4,324
Cabarrus County Schools	Education	3,951
Phillip Morris	Cigarettes	2,600*
Kannapolis City Schools	Education	925
City of Concord	Governmental	898
Cabarrus County	Governmental	763
Connexions	Business Solutions	750
Shoe Show	Shoe Distributor	650
Windstream	Communications	650
State of North Carolina	Governmental	550

Source: Cabarrus County Economic Development Corporation.

*Note: Phillip Morris plans to close this facility in 2010 and began phased layoffs during 2007.

Long-term financial planning

The County’s operating budget (which is comprised of the General Fund, Cabarrus Arena and Events Center Fund, Landfill Operations Fund, 911 Emergency Telephone Fund and Fire District Fund) for the fiscal year ending June 30, 2009 totals \$213,457,765 with a tax rate of \$0.63 per \$100 of assessed value, based on a total valuation of \$20,938,040,000.

As part of the annual budget development process, the County re-examines and updates the Capital Improvements Plan (CIP). The CIP is a five-year plan which projects capital needs and expenditures. It details estimated costs, project descriptions and funding sources for capital projects. The CIP generally addresses capital assets with a value greater than \$100,000 and a useful life longer than one year. The CIP is readopted annually.

The County also develops a Five Year Financial Plan – a forecast of revenues and expenditures for a five year period beginning with the proposed budget for the upcoming fiscal year. The purpose of the Five Year Financial Plan is to ensure that the County’s commitments, obligations and anticipated needs are met in a fiscally sound manner. The basis for the forecast is the then-

current fiscal year. Forecasts for subsequent years rely on previous year expenditures and revenues as a starting point. Increases and decreases are itemized.

The County acknowledges pay-as-you-go financing as a significant capital financing source, but recognizes that debt issuance is sometimes the most appropriate financing structure for a capital project. Current debt obligations as well as planned debt issuance are also factored into the County's long term financial planning.

Cash management policies and practices

Effective financial planning and cash management practices have aided in the efficient use of available resources. The County continues to have an aggressive cash management program designed to assure safety of principal, sufficient liquidity for current operations, and the attainment of market-average rate of return. Idle cash is invested using competitive bidding among all banks and savings and loans with investments awarded based on the highest yield. The County uses the bond trading areas of various brokers for pricing and yields on various securities that are purchased. Cabarrus County invests primarily in government agencies, commercial paper, certificates of deposit, and obligations of the US Treasury.

Risk Management

The liabilities and property insurance program is financed using a combination of self-funding and participation in the Carolina Governmental Alliance, Inc., a governmental corporation. The County retains the first \$50,000 in liability claims and claims expenses which are payable by the Carolina Governmental Alliance, Inc. Excess liability insurance above the \$50,000 retention is purchased up to a total limit of \$2,000,000 per occurrence. Excess property insurance above a \$5,000 deductible is purchased based on the replacement values, submitted to the excess property company each year.

Cabarrus County is self-funded for its Workers' Compensation Insurance and Health Insurance and the results are recorded in the Internal Service Fund presented in the CAFR.

Pension and other postemployment benefits

Cabarrus 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a pension trust fund. No stand-alone financial report exists.

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

Retirees receiving benefits	28
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	171
Total	199

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's Retirement System (Death Benefit Plan), a State administered plan funded on a one year-term cost basis.

The County also provides pension benefits for all county employees through a statewide plan managed by the Department of State Treasurer, Retirement Division. The County has no obligation in connection with employee benefits offered through this plan beyond its annual contractual payment to the Retirement Division.

The County also provides post retirement health care benefits for certain retirees and their dependents. At the end of the current fiscal year, there were 83 retired employees receiving this benefit, which is financed on a pay-as-you-go basis. GAAP requires governments to report a liability in the financial statements in connection with an employer's obligations to provide this benefit. This amount is recorded in the Government Wide Statement of Net Assets.

In addition, the County offers several benefits that are portable and require the employees to pay the cost related with maintaining these benefits.

Additional information on the County's pension arrangements and postemployment benefits can be found in Notes 5-7 in the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cabarrus County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the twenty-third consecutive year that Cabarrus County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2008. In order to qualify for the Distinguished Budget Presentation Award, the county's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This was the eleventh year that Cabarrus County has received this prestigious award.

In summary, this Comprehensive Annual Financial Report provides a source of information to citizens, the Board of Commissioners, other government agencies, and investors and creditors, all of whom rely upon it for decision making and the opportunity to learn more about Cabarrus County's financial condition.

Much appreciation is expressed to the Finance Department's staff and Potter and Company, without whose dedicated assistance this report could not have been produced. Credit also must be given to the County Manager and the Board of Commissioners for their continued interest and support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Pamela S. Dubois". The signature is fluid and cursive, with the first name being the most prominent.

Pamela S. Dubois
Deputy County Manager for Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cabarrus County
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



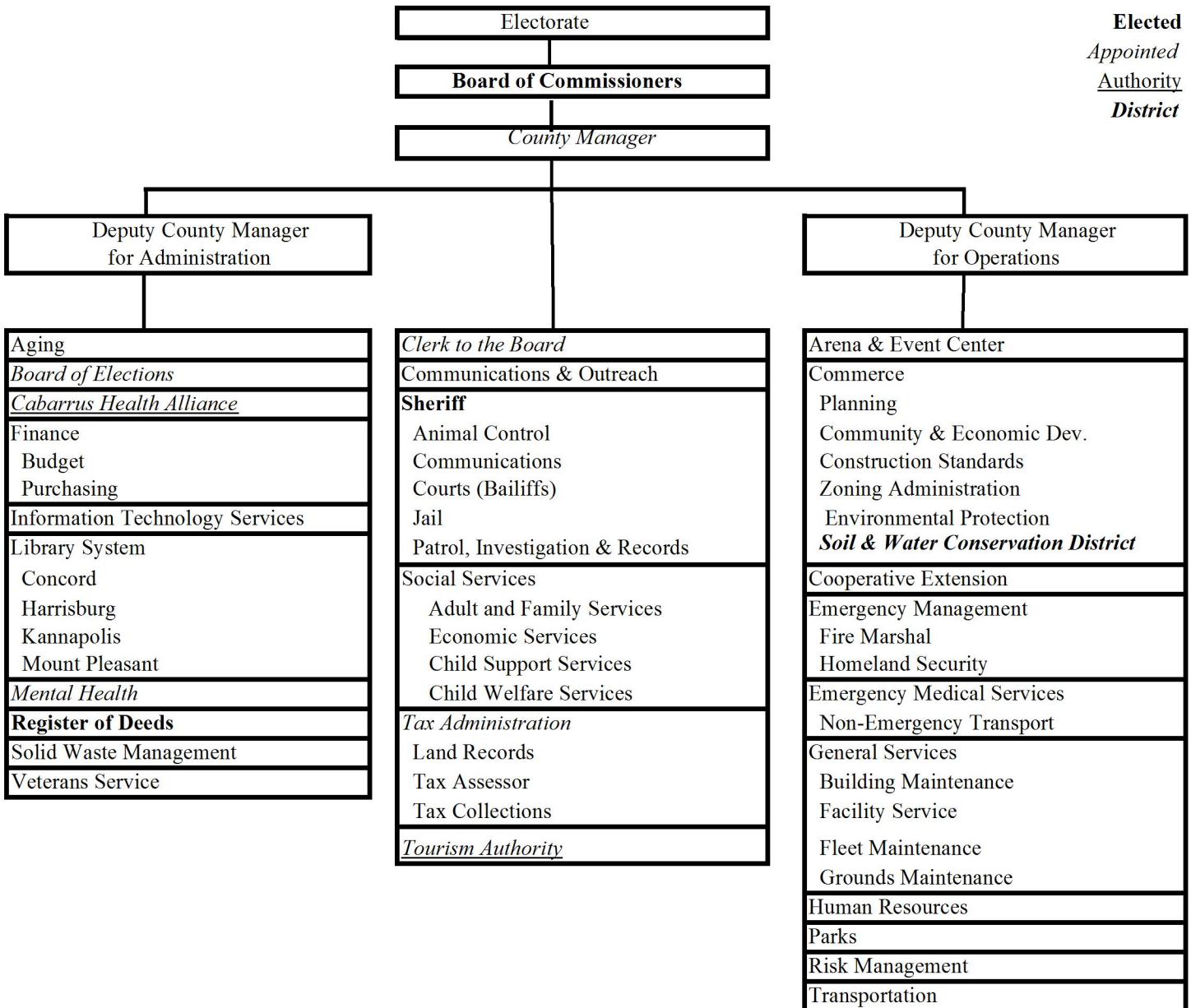
Charles S. Cox

President

Jeffrey R. Enen

Executive Director

Organization Chart



Board of County Commissioners

Chair H. Jay White, Sr.
Vice-Chair.....Joni D. Juba
CommissionerRobert W. Carruth
CommissionerGrace M. Mynatt
CommissionerCoy C. Privette

Other Elected Officials

Sheriff D. Brad Riley
Register of Deeds Linda F. McAbee

County Manager John D. Day
Deputy County Manager for Administration..... Pamela S. Dubois
Deputy County Manager for Operations..... Michael K. Downs

Clerk to the Board G. Kay Honeycutt

County Department Heads

Aging..... Michael L. Murphy
Commerce..... Jonathan B. Marshall
Cooperative ExtensionDeborah G. Bost
Elections DirectorLinda C. Grist
Emergency Management.....Robert S. Smith
Emergency Medical Services..... J. David Hampton, Jr.
Finance Director..... Pamela S. Dubois
General Services Kyle D. Bilafer
Human Resources Donald C. Cummings
Information Technology Services..... Deborah A. Brannan
LibrariesThomas W. Dillard, Jr.
Parks and Recreation.....Londa A. Strong
Social Services John K. Eller, IV
Solid Waste Management Richard A. Payne
SWCD-Watershed..... Dennis E. Testerman
Tax Administration Jeffery B. Weisner
Transportation Charles R. Bass
Veterans' Service Sharon L. Eury

Tourism AuthorityM. DeSales Wagster



POTTER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Commissioners
Cabarrus County, North Carolina
Concord, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Cabarrus County, North Carolina**, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

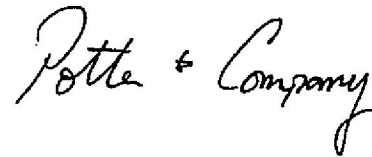
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Cabarrus County, North Carolina** as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2008, on our consideration of **Cabarrus County's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and Other Postemployment Benefits (OPEB) Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

October 16, 2008
Monroe, North Carolina

A handwritten signature in cursive script that reads "Potte & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Management Discussion and Analysis

Management's Discussion and Analysis

As management of Cabarrus County, we offer readers of Cabarrus County's financial statements this narrative overview and analysis of the financial activities of Cabarrus County for the fiscal year ended June 30, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

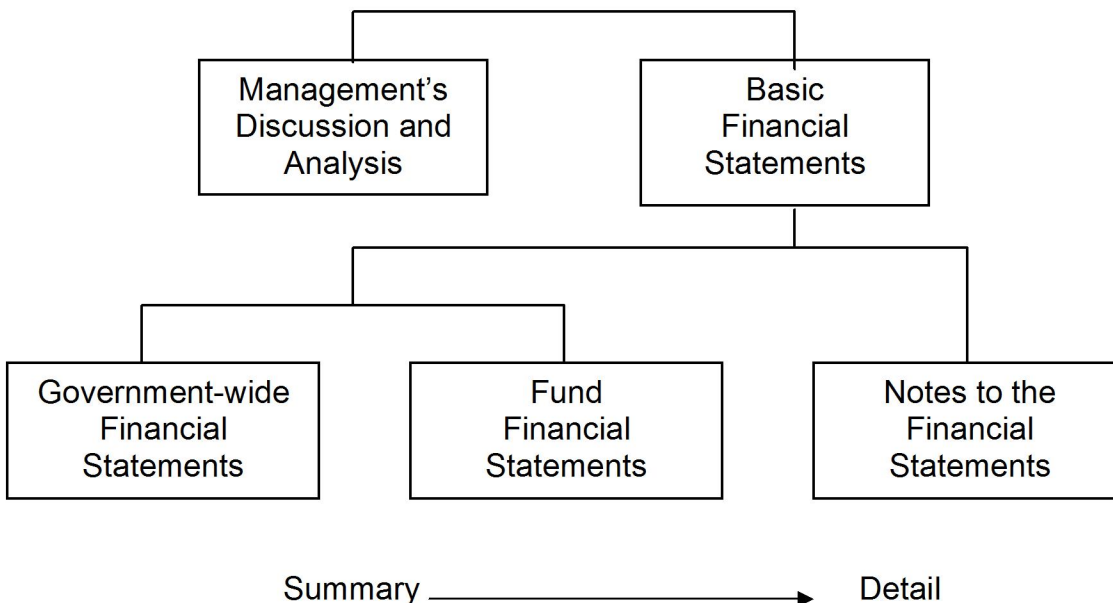
Financial Highlights

- The liabilities of Cabarrus County exceeded its assets at the close of the fiscal year by (\$39,286,015) (*net assets*).
- The total net assets of governmental activities was a deficit \$44,099,788 an increase of \$1,639,015 from the prior year's deficit amount of \$42,460,773, primarily due to school capital spending and the issuance of debt without a corresponding capital asset. In accordance with North Carolina law, the County is financially responsible for funding school facilities and issuing any debt in connection with school facilities; however, since assets are not reflected in the County's financial statements, school capital improvements are expensed. For fiscal year ended June 30, 2008, Cabarrus County implemented GASB Statement #45 regarding the accounting and reporting requirements for Other Post-employment Benefits (OPEB) which resulted in the County recording a \$1,326,024 unfunded OPEB liability.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$36,636,176 or 19.50 percent of total general fund expenditures for the fiscal year.
- Cabarrus County's total debt increased by \$30,828,843 (10.5%) during the current fiscal year. The key factor in this increase was the issuance of \$46,920,000 in new debt for the construction of schools.
- Cabarrus County maintained its AA bond rating for the 8th consecutive year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include landfill services offered by Cabarrus County. The final category is the component units. Cabarrus Health Alliance was incorporated under the hospital authority act to provide public health care to the citizens and residents of the County. The Alliance has leased office space from the County for a five year term. The Chairperson of the Board of Commissioners for Cabarrus County appoints the members of the board of the Alliance.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out,

and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds – Cabarrus County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Cabarrus County uses an enterprise fund to account for solid waste and recycling operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are used to account for operations that provide services to other departments on a cost-reimbursement basis. Cabarrus County uses internal service funds to account for workers compensation and self-insured hospitalization activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cabarrus County has nine fiduciary funds, one of which is a pension trust fund, two private purpose trust funds and six of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 39 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cabarrus County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 of this report.

Government-Wide Financial Analysis

Cabarrus County's Net Assets

	Governmental-type		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 151,973,399	\$ 147,972,466	\$ 5,809,134	\$ 5,702,865	\$ 157,782,533	\$ 153,675,331
Capital assets	154,870,423	127,984,386	3,856,424	3,502,753	158,726,847	131,487,139
Total assets	306,843,822	275,956,852	9,665,558	9,205,618	316,509,380	285,162,470
Long-term liabilities outstanding	297,065,644	269,370,838	4,569,742	4,211,142	301,635,386	273,581,980
Other liabilities	53,877,966	49,046,787	282,043	156,172	54,160,009	49,202,959
Total liabilities	350,943,610	318,417,625	4,851,785	4,367,314	355,795,395	322,784,939
Net assets						
Invested in capital assets, net						
of related debt	91,564,956	59,636,476	3,856,424	3,502,753	95,421,380	63,139,229
Restricted	73,845,715	65,446,629	-	-	73,845,715	65,446,629
Unrestricted	(209,510,459)	(167,543,878)	957,349	1,335,551	(208,553,110)	(166,208,327)
Total net assets	\$ (44,099,788)	\$ (42,460,773)	\$ 4,813,773	\$ 4,838,304	\$ (39,286,015)	\$ (37,622,469)

While total net assets are often considered a useful indicator of a government's financial position, it does not adequately reflect the County's position. In accordance with the North Carolina General Statutes, the County is the issuer and payer of debt for capital purposes for the Cabarrus County Schools, Kannapolis City Schools and the Rowan-Cabarrus Community College. This debt, which totals \$254,994,303 at June 30, 2008 and totaled \$220,305,416 at June 30, 2007, is recorded in long-term liabilities with no offsetting capital assets recorded, as the assets are owned by the agencies. The agencies use the debt proceeds to acquire or construct capital assets. The effect of this accounting is to distort net assets of the County, creating a large deficit in unrestricted net assets. Net Assets of \$95,421,380 at June 30, 2008 and \$63,139,229 at June 30, 2007 are invested in capital assets, net of any related outstanding debt of those assets. Capital assets include land, buildings, vehicles, equipment and other machinery used in providing services to residents. Also, net assets of \$73,845,715 at June 30, 2008 and \$65,446,629 at June 30, 2007 are reserved by law for specific purposes. The net increase in the deficit unrestricted net assets, resulted from the issuance of debt and the decrease in County capital assets net of accumulated depreciation. Net assets do not present the County's position regarding spending, this amount is presented in the governmental funds statements.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.35%, higher than the statewide average of 97.43%.
- Increased investment earnings due to a larger cash balance during the fiscal year.
- Continued low cost of debt due to the County's high bond rating and the prevailing interest rate environment.
- The State of North Carolina assumed 25% of the County's Medicaid Assistance payments.

Cabarrus County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 21,121,093	\$ 20,063,136	\$ 1,474,242	\$1,516,013	\$ 22,595,335	\$ 21,579,149
Operating grants and contributions	20,960,313	18,591,583	-	-	20,960,313	18,591,583
Capital grants and contributions	1,686,644	2,648,767	-	-	1,686,644	2,648,767
General revenues:						
Property taxes	105,322,403	99,451,423	-	-	105,322,403	99,451,423
Other taxes	39,940,999	38,045,884	31,096	62,122	39,972,095	38,108,006
Grants and contributions not restricted to specific programs	135,546	3,011,479	-	-	135,546	3,011,479
Investment earnings	6,672,098	6,481,368	212,399	271,539	6,884,497	6,752,907
Other	222,483	242,136	4,000	283,714	226,483	525,850
Total revenues	196,061,579	188,535,776	1,721,737	2,133,388	197,783,316	190,669,164
Expenses:						
General government	18,415,916	15,788,662	-	-	18,415,916	15,788,662
Public safety	27,859,820	24,259,457	-	-	27,859,820	24,259,457
Economic and physical development	5,120,325	3,470,790	-	-	5,120,325	3,470,790
Environmental protection	273,920	239,353	-	-	273,920	239,353
Human services	42,113,299	39,793,446	-	-	42,113,299	39,793,446
Education	80,456,701	102,678,574	-	-	80,456,701	102,678,574
Cultural and recreation	7,750,422	7,357,984	-	-	7,750,422	7,357,984
Interest on long-term debt	13,267,793	13,078,276	-	-	13,267,793	13,078,276
Landfill	-	-	1,746,268	1,223,462	1,746,268	1,223,462
Total expenses	195,258,196	206,666,542	1,746,268	1,223,462	197,004,464	207,890,004
Increase (decrease) in net assets	803,383	(18,130,766)	(24,531)	909,926	778,852	(17,220,840)
Net assets, July 1, restated	(44,903,171)	(24,330,007)	4,838,304	3,928,378	(40,064,867)	(20,401,629)
Net assets, June 30	<u>\$ (44,099,788)</u>	<u>\$ (42,460,773)</u>	<u>\$ 4,813,773</u>	<u>\$4,838,304</u>	<u>\$ (39,286,015)</u>	<u>\$ (37,622,469)</u>

Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of Cabarrus County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$36,636,176, while total fund balance reached \$47,624,622. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 19.50 percent of total General Fund expenditures, while total fund balance represents 25.35 percent of that same amount.

At June 30, 2008, the governmental funds of Cabarrus County reported a combined fund balance of \$121,470,337, a 4.6% increase or \$5,312,213 increase from last year. There are two reasons for this net increase. One reason was the issuance of COPS in the amount of \$46,920,000 for school construction and

renovation. This debt instrument has been issued, however the majority of expenditures for the projects will occur in future years. The second reason for the net increase was the use of \$9,043,225 of GO Bonds and \$25,797,727 in COPS that were issued in a previous fiscal year.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund's budget amounted to an increase of \$17,676,054.

Major budget increases (decreases) during the year include:

- Contribution to Capital Reserve Fund – transfer funds from the General Fund pursuant to County policy that upon completion of the annual audit, any undesignated fund balance above 15% will be transferred to the Capital Reserve Fund. -- \$11,280,987.
- Contribution to the Capital Projects Fund – for budgetary and accounting purposes transferred funds from the General Fund for the following projects: Medicaid Hold Harmless for School ADM, E911 Wire Line Balance for E911 purposes, 800 MHz Radios, and Frank Liske Park. -- \$2,466,231
- Fund Balance Appropriated – funding for projects incomplete in the prior fiscal year (FY 2007) are brought into the new budget once the budget is closed by appropriating fund balance for the balance to be expended. -- \$2,458,296.
- Sheriff – Increase revenue and expenses for funds received for the Comprehensive Gang Initiative and Justice Assistance grants, donations and deputy service reimbursements. -- \$161,964
- DSS –Additional Intergovernmental funding received for Community Alternatives and Day Care programs. -- \$794,519

Proprietary Funds. Cabarrus County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$957,349. This represents a decrease of \$378,202 over fiscal year 2007. The key factor in this decrease is attributable to the construction of a new scale house. Other factors concerning the finances of this fund have already been addressed in the discussion of Cabarrus County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Cabarrus County's investment in capital assets for its governmental and business-type activities as of June 30, 2008, totals \$158,726,847 (net of accumulated depreciation). These assets include buildings, building improvements, land, land improvements, reservoir, equipment, furniture and fixtures, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchased 18 new vehicles for the Sheriff's department, 11 vehicles for General Services, 9 vehicles for the Department of Social Services, 8 vehicles for Transportation and 3 ambulances for Emergency Medical Services
- Continued work for the construction of a Jail Annex and Sheriff's Administration Building
- Began a comprehensive Law Enforcement package (OSSI E911), consisting of software and hardware
- Purchased an EMS and Fire Radio Paging system

Cabarrus County's Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 20,464,369	\$ 20,277,523	\$ 490,447	\$ 490,447	\$ 20,954,816	\$ 20,767,970
Land Improvements	3,960,480	4,902,384	1,020,654	-	4,981,134	4,902,384
Buildings	37,359,162	38,829,705	668,142	390,799	38,027,304	39,220,504
Building Improvements	11,614,478	7,921,836	4,526	4,800	11,619,004	7,926,636
Equipment	3,775,705	3,032,354	82,996	3,810	3,858,701	3,036,164
Furniture and Fixtures	77,170	105,875	-	-	77,170	105,875
Vehicles	2,816,120	1,840,749	1,130,993	249,176	3,947,113	2,089,925
Reservoir	21,482,544	21,504,310	-	-	21,482,544	21,504,310
Construction in progress	53,320,395	29,569,650	458,666	516,780	53,779,061	30,086,430
Total	\$ 154,870,423	\$ 127,984,386	\$ 3,856,424	\$ 1,655,812	\$ 158,726,847	\$ 129,640,198

Additional information on the County's capital assets can be found in note 3 section E of the Basic Financial Statements.

Long-term Debt. As of June 30, 2008, Cabarrus County had total debt outstanding of \$316,382,248 of which includes General Obligation Bonds that are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

Cabarrus County's Outstanding Debt
All Debt Funding Sources

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 126,895,000	\$ 133,980,000
Installment payment revenue bonds	-	18,000,000
Capital lease obligations	331,964	443,568
Certificates of participation	173,165,000	116,220,000
Installment financing	15,990,284	17,612,855
Total	\$ 316,382,248	\$ 286,256,423

As mentioned in the financial highlights section of this document, Cabarrus County maintained for the 8th consecutive year, its Aa2 bond rating from Moody's Investor Service and AA bond rating from Standard and Poor's Corporation and Fitch. This bond rating is a clear indication of the sound financial condition of Cabarrus County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cabarrus County is \$985,078,494. Additional information regarding Cabarrus County's long-term obligations can be found in beginning in note 3 section J of this report.

Economic Factors and Next Year's Budgets and Rates

Cabarrus County is a part of the Charlotte Metropolitan Statistical Area (MSA) which has proved beneficial in that the County has continued to experience economic growth during national and state economic downturns of past years. The following key economic indicators reflect the growth and prosperity of the County.

Indicator	Cabarrus County	Rank (100 Counties)
Population, July 2006	157,176	12 th in NC
Population, 2000 Census	131,063	14 th in NC
Population Change 1990-2000	32.5%	10 th in NC (NC 21.3%)
Unemployment, Nov 2007	4.3%	68 th in NC
Per Capita Personal Income, 2005	\$32,111	14 th in NC (NC \$32,234)
Poverty, 2005	9.6%	98 th in NC (NC 14.9%)

Source: N.C. Department of Commerce

Budget Highlights for the Upcoming Fiscal Year to End June 30, 2009

Governmental Activities: Ad Valorem tax is the largest single revenue item. It is based on a tax rate of \$0.63 per \$100 of assessed valuation, the same rate in effect for FY 2008. Due to revaluation of property this year, the revenue neutral tax rate was \$0.52, making the \$0.63 rate a tax increase of \$0.11. The total budgeted amount of \$121,102,933 represents an increase of 32.3% from the amended FY 2008 budget. Motor vehicle taxes have been budgeted at \$8,397,625, or 7.5% increase from FY 2008. Budgeted sales tax revenues are \$34.4 million, a 7.4% increase above FY 2008.

In accordance with the existing Cabarrus County Personnel Management Policy, wages were recommended to increase by 4%, based on a rounding of the Consumer Price Index (CPI) as published for December 2007. The employee's health insurance contribution increased by 13%

Education / School Debt is the largest service area within the budget. This service area funds two public school systems and one community college. It also funds debt associated with the acquisition and construction of capital assets for the school systems and the community college. Total spending within this function is budgeted at \$84.4 million, which represents 40.04% of all budgeted FY 2009 spending. The funding level represents an increase of 14.02% above the past year's funding.

Other Debt Service funds principal and interest payments on debt for the acquisition and construction of capital assets. Funding of \$8.3 million represents 3.95% of the FY 2009 budget, and is a 12.33% increase from the amended FY 2008 budget.

Business-type Activities: The FY 2009 Solid Waste Management (Landfill) Fund budget totals \$1,896,584 which represents an increase of 5.72% above FY 2008.

In FY 2009, the disposal tax on white goods remains flat, as do tire disposal fees. Tipping fees are projected to decrease slightly by .80%.

Included in the FY 2009 Solid Waste Management Fund budget is funding for the purchase of a replacement fuel service truck, a bulldozer and an air compressor.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Assistant Director of Finance, Cabarrus County, 65 Church Street SE, Concord, NC 28027, (704) 920-2894.



Basic Financial Statements

Cabarrus County, North Carolina
Statement of Net Assets
June 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
<u>Assets</u>				
Cash and cash equivalents	\$ 86,214,503	\$ 5,630,733	\$ 91,845,236	\$ 3,673,909
Receivables (net of allowance for uncollectibles):				
Accounts receivable	5,214,006	8,172	5,222,178	943,096
Customers	1,250,700	116,420	1,367,120	1,337,770
Property taxes	2,626,546	-	2,626,546	-
Interest	90,991	3,755	94,746	-
Due from other governments	7,868,086	50,054	7,918,140	108,593
Inventories	4,875	-	4,875	-
Prepaid expenses	61,254	-	61,254	-
Restricted cash and cash equivalents	41,597,214	-	41,597,214	-
Deferred charges	6,077,024	-	6,077,024	-
Notes Receivable	968,200	-	968,200	-
Capital Assets not being depreciated:				
Land	20,464,368	490,447	20,954,815	115,233
Construction in Progress	53,320,395	458,666	53,779,061	-
Capital Assets net of accumulated depreciation:				
Land Improvements	3,960,481	1,020,654	4,981,135	622,007
Buildings and Building Improvements	48,973,641	672,668	49,646,309	-
Reservoir	21,482,544	-	21,482,544	-
Furniture and Fixtures	77,170	-	77,170	13,345
Equipment	3,775,705	82,996	3,858,701	125,624
Vehicles and Motorized Equip	2,816,119	1,130,993	3,947,112	114,954
Total assets	306,843,822	9,665,558	316,509,380	7,054,531
<u>Liabilities</u>				
Accounts payable and other current liabilities	14,148,167	191,363	14,339,530	788,947
Unearned revenues	809,043	-	809,043	-
Unamortized bond premium	8,133,336	-	8,133,336	-
Accrued interest payable	4,161,446	-	4,161,446	-
Retainage payable	3,012,017	42,040	3,054,057	-
Unfunded pension cost	166,281	-	166,281	-
Unfunded OPEB cost	1,326,024	15,152	1,341,176	-
Long-term liabilities:				
Due within one year	22,121,652	33,488	22,155,140	536,955
Due in more than one year	297,065,644	4,569,742	301,635,386	10,958
Total long-term liabilities	319,187,296	4,603,230	323,790,526	547,913
Total liabilities	350,943,610	4,851,785	355,795,395	1,336,860
<u>Net Assets</u>				
Invested in Capital Assets, (net of related debt)	91,564,956	3,856,424	95,421,380	991,163
Restricted for :				
Special Revenue	21,275,260	-	21,275,260	-
Capital Projects	52,570,455	-	52,570,455	-
Unrestricted	(209,510,459)	957,349	(208,553,110)	4,726,508
Total net assets	\$ (44,099,788)	\$ 4,813,773	\$ (39,286,015)	\$ 5,717,671

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

Cabarrus County, North Carolina
Statement of Activities
For the Year Ended June 30, 2008

Function/Program Activities	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government Business-Type Activities		Component Unit
			Operating Grants and Contributions			Governmental Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 18,415,916	\$ 4,253,175	\$ 559,742	\$ -	\$ -	\$ (13,602,999)	\$ (13,602,999)	\$ -
Public safety	27,859,820	9,009,527	1,227,341	-	-	(17,622,952)	(17,622,952)	-
Econ. & physical development	5,120,325	361,302	186,901	-	-	(4,572,122)	(4,572,122)	-
Environmental protection	273,920	1,668	64,835	-	-	(207,417)	(207,417)	-
Human services	42,113,299	3,627,327	17,305,815	298,051	298,051	(20,882,106)	(20,882,106)	-
Education	80,456,701	2,854,128	259,232	1,388,593	1,388,593	(75,954,748)	(75,954,748)	-
Culture and recreation	7,750,422	1,013,966	1,356,447	-	-	(5,380,009)	(5,380,009)	-
Interest on long-term debt	13,267,793	-	-	-	-	(13,267,793)	(13,267,793)	-
Total governmental activities	195,258,196	21,121,093	20,960,313	1,686,644	1,686,644	(151,490,146)	(151,490,146)	-
Business-Type Activities:								
Solid Waste	1,746,268	1,474,242	-	-	-	-	(272,026)	-
Total business-type activities	1,746,268	1,474,242	-	-	-	-	(272,026)	-
Total primary government	\$ 197,004,464	\$ 22,595,335	\$ 20,960,313	\$ 1,686,644	\$ -	(151,490,146)	(151,762,172)	-
Component Unit:								
Cabarrus Health Alliance	\$ 17,838,450	\$ 9,562,940	\$ 7,886,241	\$ -	\$ -	-	-	(389,269)
General Revenues:								
Property taxes						105,322,403	105,322,403	-
Sales taxes						37,721,273	37,721,273	-
ABC revenues						69,902	69,902	-
Gross receipts tax						109,062	109,062	-
Occupancy tax						2,110,664	2,110,664	-
White goods tax						31,096	31,096	-
Investment earnings						212,399	6,884,497	127,386
Donations						135,546	135,546	-
Insurance proceeds						118,826	118,826	-
Miscellaneous						33,755	37,755	51,232
Total general revenues, special items, and transfers						152,293,529	152,541,024	178,618
Changes in net assets						803,383	778,852	(210,651)
Net assets - July 1, restated (See Note 4, Section 8)						(44,903,171)	(40,064,867)	5,928,322
Net assets - June 30						\$ (44,099,788)	\$ (39,286,015)	\$ 5,717,671

The notes to the financial statements are an integral part of this statement.

Cabarrus County, North Carolina
Governmental Funds
Balance Sheet
June 30, 2008

	Major			Non-Major	
	General	Justice Center Construction	School Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash and cash equivalents	\$ 45,228,584	\$ 4,456,935	\$ 8,673,701	\$ 23,913,150	\$ 82,272,370
Receivables (net of allowance for uncollectibles)					
Accounts receivable	3,574,049	-	188,581	1,450,864	5,213,494
Customers	1,250,700	-	-	-	1,250,700
Property taxes	2,626,546	-	-	-	2,626,546
Interest	75,862	-	-	12,273	88,135
Due from other governments	7,172,727	564,122	48,369	82,868	7,868,086
Prepaid expense	53,734	-	-	6,017	59,751
Notes receivable	107,200	-	-	861,000	968,200
Inventories	4,875	-	-	-	4,875
Restricted cash	5,378	7,329,461	32,762,940	1,499,435	41,597,214
Total assets	<u>\$ 60,099,655</u>	<u>\$ 12,350,518</u>	<u>\$ 41,673,591</u>	<u>\$ 27,825,607</u>	<u>\$ 141,949,371</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,788,743	\$ 1,256,280	\$ 2,855,001	\$ 880,703	\$ 12,780,727
Contract retainages	-	1,888,506	976,184	147,327	3,012,017
Deferred revenues	3,877,247	-	-	-	3,877,247
Unearned revenue	809,043	-	-	-	809,043
Total liabilities	<u>12,475,033</u>	<u>3,144,786</u>	<u>3,831,185</u>	<u>1,028,030</u>	<u>20,479,034</u>
Fund Balances:					
Reserved for:					
Inventories	4,875	-	-	-	4,875
State statute	10,983,571	-	-	-	10,983,571
Unreserved, designated for subsequent year's expenditures:					
Special Revenue	-	-	-	21,275,260	21,275,260
Capital Projects	-	9,205,732	37,842,406	5,522,317	52,570,455
Unreserved for General fund	36,636,176	-	-	-	36,636,176
Total fund balances	<u>47,624,622</u>	<u>9,205,732</u>	<u>37,842,406</u>	<u>26,797,577</u>	<u>121,470,337</u>
Total liabilities and fund balances	<u>\$ 60,099,655</u>	<u>\$ 12,350,518</u>	<u>\$ 41,673,591</u>	<u>\$ 27,825,607</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					
Government capital assets				185,100,031	
Less accumulated depreciation				<u>(30,229,608)</u>	154,870,423
Other assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds					
Deferred Revenue					3,877,247
Debt Issuance Costs				6,545,663	
Current Year Amortization				<u>(468,639)</u>	6,077,024
Premium on Debt Issuance				(8,662,518)	
Current Year Amortization				<u>529,182</u>	(8,133,336)
Internal service funds are used by management to charge the costs of workers' compensation and self-insured hospitalization to individual departments.					
					2,579,564
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					
Bonds and Other Debt Payable				(316,382,248)	
Accrued Interest				(4,161,446)	
Compensated Absences				(2,805,048)	
LEO Pension Obligation				(166,281)	
OPEB Obligation				<u>(1,326,024)</u>	(324,841,047)
Net assets of governmental activities					<u>\$ (44,099,788)</u>

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

Cabarrus County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major			Non-Major	
	General	Justice Center Construction	School Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	\$ 103,618,367	\$ -	\$ -	\$ 1,976,097	\$ 105,594,464
Other taxes and licenses	38,441,644	-	-	2,110,664	40,552,308
Intergovernmental revenues	19,274,034	-	-	2,318,557	21,592,591
Permits and fees	6,356,383	-	-	4,286,703	10,643,086
Sales and services	10,165,675	-	-	-	10,165,675
Investment earnings	3,635,015	948,098	535,585	1,211,550	6,330,248
Donations	-	-	-	643,402	643,402
Miscellaneous	528,463	-	-	8,580	537,043
Total revenues	182,019,581	948,098	535,585	12,555,553	196,058,817
Expenditures:					
Current:					
General government	16,688,214	-	-	156,983	16,845,197
Public safety	22,982,339	55,839	-	2,542,297	25,580,475
Economic & physical development	2,825,171	-	-	2,199,574	5,024,745
Environmental protection	200,561	-	-	-	200,561
Human services	40,861,828	-	-	11,934	40,873,762
Education	50,580,814	-	21,872,927	9,066,495	81,520,236
Culture and recreation	3,952,273	-	-	2,616,067	6,568,340
Capital outlay:					
Land and land improvements	88,166	186,846	-	24,263	299,275
Building and building improvements	257,905	-	-	83,843	341,748
Equipment and furniture	1,031,976	-	-	428,485	1,460,461
Vehicles and motorized equipment	1,596,265	-	-	39,698	1,635,963
Construction in progress	708,020	26,578,168	-	1,590,600	28,876,788
Debt service:					
Principal retirement	17,539,175	-	-	-	17,539,175
Interest and fees	13,282,514	-	-	-	13,282,514
Total expenditures	172,595,221	26,820,853	21,872,927	18,760,239	240,049,240
Excess (deficiency) of revenues over (under) expenditures	9,424,360	(25,872,755)	(21,337,342)	(6,204,686)	(43,990,423)
Other financing sources (uses):					
Transfers in	2,793,897	75,600	5,228,344	17,458,903	25,556,744
Transfers out	(15,305,130)	(572)	-	(10,251,042)	(25,556,744)
Installment Financing issued	-	-	7,305,000	-	7,305,000
Certificates of Participation issued	-	-	65,665,000	-	65,665,000
Premium on Certificates of Participation issued	-	-	2,596,482	-	2,596,482
Disbursement for Refunding Installment Financing	-	-	(7,305,000)	-	(7,305,000)
Disbursement to escrow agent	-	-	(18,958,846)	-	(18,958,846)
Total other financing sources (uses)	(12,511,233)	75,028	54,530,980	7,207,861	49,302,636
Net change in fund balances	(3,086,873)	(25,797,727)	33,193,638	1,003,175	5,312,213
Fund balance, July 1	50,711,495	35,003,459	4,648,768	25,794,402	116,158,124
Fund balance, June 30	\$ 47,624,622	\$ 9,205,732	\$ 37,842,406	\$ 26,797,577	\$ 121,470,337

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

Cabarrus County, North Carolina
**Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balance to the Statement of Activities of Governmental Funds
For the Year Ended June 30, 2008**

Net change in fund balances-total governmental funds		\$ 5,312,213
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.

Expenditures for capital assets	32,614,235	
Less current year depreciation	<u>(3,208,791)</u>	29,405,444

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Ambulance	32,341	
Property Tax	(272,062)	
Building Inspections	<u>(87,811)</u>	(327,532)

The effect of various miscellaneous transactions involving capital assets.

Donation of capital assets	35,546	
Disposal of capital assets, net book value	<u>(112,555)</u>	(77,009)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of

Debt proceeds	(75,566,482)	
Debt costs	1,134,706	
Amortization of current year debt premium	529,182	
Principal payments	17,539,175	
Disbursements for Refunding	7,305,000	
Disbursements to Escrow	<u>18,958,846</u>	(30,099,573)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(337,093)	
LEO Pension Obligation	(2,442)	
OPEB Obligation	(1,326,024)	
Accrued Interest	14,721	
Amortization of current year debt costs	<u>(468,639)</u>	(2,119,477)

The purpose of this adjustment is to recognize the net change in "unavailable" revenues. Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual-basis recognition is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in revenues - unavailable revenues at the end of the year exceed beginning unavailable revenues by this amount.

Internal service funds are used by management to charge the cost of workers' compensation and self-insured hospitalization systems to individual departments.	<u>(1,290,683)</u>	<u>(1,290,683)</u>
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Changes in net assets of governmental activities		<u>\$ 803,383</u>
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The accompanying notes are an integral part of the financial statements.

Cabarrus County, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Ad valorem taxes:				
Taxes	\$ 100,637,434	\$ 100,688,734	\$ 103,119,191	\$ 2,430,457
Interest	410,000	410,000	499,176	89,176
Other taxes and licenses	37,745,412	37,745,412	38,441,644	696,232
Intergovernmental revenues	17,960,801	19,050,333	19,274,034	223,701
Permits and fees	7,935,400	7,935,400	6,356,383	(1,579,017)
Sales and services	8,965,542	9,542,216	10,165,675	623,459
Investment earnings	1,500,000	2,093,296	3,635,015	1,541,719
Miscellaneous	116,890	359,986	528,463	168,477
Total revenues	<u>175,271,479</u>	<u>177,825,377</u>	<u>182,019,581</u>	<u>4,194,204</u>
Expenditures:				
Current:				
General government	20,629,666	20,366,222	18,671,787	1,694,435
Public safety	23,407,301	24,311,699	23,877,349	434,350
Economic & physical development	2,696,391	3,414,460	2,856,171	558,289
Environmental protection	238,917	242,706	226,952	15,754
Human services	43,012,082	44,474,478	41,546,805	2,927,673
Education	50,575,814	50,580,814	50,580,814	-
Culture and recreation	3,951,426	4,283,117	4,013,654	269,463
Debt service:				
Principal retirement	17,267,572	17,539,176	17,539,175	1
Interest and fees	12,794,590	13,289,923	13,282,514	7,409
Total expenditures	<u>174,573,759</u>	<u>178,502,595</u>	<u>172,595,221</u>	<u>5,907,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>697,720</u>	<u>(677,218)</u>	<u>9,424,360</u>	<u>10,101,578</u>
Other financing sources (uses):				
Transfers in	912,413	2,695,286	2,793,897	98,611
Transfers out	(1,610,133)	(15,357,351)	(15,305,130)	52,221
Fund balance appropriated	<u>-</u>	<u>13,339,283</u>	<u>-</u>	<u>(13,339,283)</u>
Total other financing sources (uses)	<u>(697,720)</u>	<u>677,218</u>	<u>(12,511,233)</u>	<u>(13,188,451)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(3,086,873)</u>	<u>\$ (3,086,873)</u>
Fund balance, July 1			<u>50,711,495</u>	
Fund balance, June 30			<u>\$ 47,624,622</u>	

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

Cabarrus County, North Carolina
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities- Landfill Enterprise Fund	Governmental Activities- Internal Service Funds
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,630,733	\$ 3,942,133
Receivables (net):		
Accounts	8,172	2,015
Customers	116,420	-
Interest	3,755	2,856
Due from other governments	50,054	-
Total current assets	<u>5,809,134</u>	<u>3,947,004</u>
Capital assets:		
Land & land improvements	1,785,539	-
Construction in progress	458,666	-
Buildings & improvements	767,699	-
Vehicles and equipment	2,327,281	-
Less: Accumulated depreciation	(1,482,761)	-
Total capital assets (net)	<u>3,856,424</u>	<u>-</u>
Total assets	<u>9,665,558</u>	<u>3,947,004</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	191,363	543,524
Compensated absences payable	33,488	-
OPEB liability payable	15,152	-
Retainage payable	42,040	-
Total current liabilities	<u>282,043</u>	<u>543,524</u>
Noncurrent liabilities:		
Closure/postclosure costs payable	4,561,370	-
Compensated absences payable	8,372	-
Amounts payable for future claims	-	823,916
Total noncurrent liabilities	<u>4,569,742</u>	<u>823,916</u>
Total liabilities	<u>4,851,785</u>	<u>1,367,440</u>
<u>Net Assets</u>		
Invested in capital assets	3,856,424	-
Unrestricted	957,349	2,579,564
Total net assets	<u>\$ 4,813,773</u>	<u>\$ 2,579,564</u>

The notes to the financial statements are an integral part of this statement.

Cabarrus County, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Landfill Enterprise Fund	Governmental Activities- Internal Service Funds
Operating revenues:		
Charges for sales and services:		
Tipping fees	\$ 1,234,915	\$ -
Recycling revenue	46,677	-
Insurance premiums	-	6,061,206
Miscellaneous revenues	4,000	-
Overages	81	-
Total charges for sales and services	<u>1,285,673</u>	<u>6,061,206</u>
Other operating revenues:		
Tire disposal fees	176,592	-
White goods disposal tax	31,096	-
Solid waste franchise fee	15,977	-
Total other operating revenues	<u>223,665</u>	<u>-</u>
Total operating revenues	<u>1,509,338</u>	<u>6,061,206</u>
Operating expenses:		
Administration:		
Salary and benefits:		
Salaries and wages	360,919	-
FICA	21,591	-
Medicare	5,050	-
Group hospital insurance	70,925	-
Retirement	17,351	-
Deferred compensation- 401K	17,740	-
Insurance and bonds	6,229	-
Total salaries and benefits	<u>499,805</u>	<u>-</u>
Operations:		
General and administrative:		
Administrative fees	-	1,148,600
Advertising	808	-
Bank Service charges	1,182	-
Dues and subscriptions	594	-
Engineers	-	-
Lights and power	7,105	-
Office supplies	1,169	-
Postage	51	-
Printing and binding	2,141	-
Telephone	5,506	-
Travel	6,368	-
Uniforms	5,570	-
Total general and administrative	<u>30,494</u>	<u>1,148,600</u>

Cabarrus County, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Landfill Enterprise Fund	Governmental Activities- Internal Service Funds
Other operational expenses:		
Auto and truck maintenance	9,019	-
Automotive supplies	2,105	-
Building and ground maintenance	27,723	-
Claims	38,534	6,341,442
Closure/postclosure costs	501,668	-
Depreciation	256,862	-
Fuel	92,005	-
Heavy equipment maintenance	13,055	-
Minor equipment maintenance	3,752	-
Minor office equipment	7,614	-
Other operating cost	4,202	-
Purchased service	76,780	-
Service contracts	2,750	-
Tire disposal	155,717	-
Tools and minor equipment	16,634	-
White goods expense	7,549	-
Total other operational expenses	<u>1,215,969</u>	<u>6,341,442</u>
Total operating expenses	<u>1,746,268</u>	<u>7,490,042</u>
Operating income (loss)	<u>(236,930)</u>	<u>(1,428,836)</u>
Nonoperating revenues (expense):		
Investment earnings	<u>212,399</u>	<u>138,153</u>
Total nonoperating revenues	<u>212,399</u>	<u>138,153</u>
Change in net assets	(24,531)	(1,290,683)
Total net assets, July 1	<u>4,838,304</u>	<u>3,870,247</u>
Total net assets, June 30	<u><u>\$ 4,813,773</u></u>	<u><u>\$ 2,579,564</u></u>

The notes to the financial statements are an integral part of this statement.

Cabarrus County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities- Landfill Enterprise Fund	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 1,511,192	\$ -
Cash received from departments	-	6,060,694
Cash paid to employees	(476,039)	-
Cash paid to suppliers for goods and services	(498,295)	(6,305,825)
Net cash provided by (used for) operating activities	<u>536,858</u>	<u>(245,131)</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(641,134)	-
Net cash used for capital and related financing activities	<u>(641,134)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	225,462	148,867
Net cash provided by investing activities	<u>225,462</u>	<u>148,867</u>
Net decrease in cash and cash equivalents	121,186	(96,264)
Cash and cash equivalents, July 1	<u>5,509,547</u>	<u>4,038,397</u>
Cash and cash equivalents, June 30	<u>\$ 5,630,733</u>	<u>\$ 3,942,133</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (236,930)</u>	<u>\$ (1,428,836)</u>
Adjustments not affecting cash:		
Depreciation expense	256,862	-
Landfill closure and post closure care cost	387,980	-
Changes in assets and liabilities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(51,888)	-
(Increase) decrease in customers receivable	78	-
(Increase) decrease in prepaid rent	-	(718)
(Increase) decrease in due from other governments	53,665	-
Increase (decrease) in accounts payable and accrued liabilities	63,797	1,184,423
Increase (decrease) in opeb liability payable	15,152	
Increase (decrease) in retainage payable	42,040	
Increase (decrease) in compensated absences payable	6,102	-
Total adjustments	<u>773,788</u>	<u>1,183,705</u>
Net cash provided by operating activities	<u>\$ 536,858</u>	<u>\$ (245,131)</u>
Noncash operating activities:		
Closure/postclosure costs per Exhibit #7	\$ 501,668	\$ -
Cash paid to suppliers in operating activities	(113,688)	-
Total noncash change in landfill closure and postclosure	<u>\$ 387,980</u>	<u>\$ -</u>
Closure/postclosure costs transferred out of capital assets - noncash	<u>\$ (30,600)</u>	<u>\$ -</u>

Cabarrus County, North Carolina
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust Funds	Pension Trust Fund	Agency Funds
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and cash equivalents	\$ 21,524	\$ 206,015	\$ 866,887
Interest receivable	1	155	-
	<hr/>	<hr/>	<hr/>
Total assets	21,525	206,170	866,887
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Accounts payable and accrued liabilities	-	9,617	23,736
Due to municipalities	-	-	564,824
Due to State of North Carolina	-	-	9,526
Due to jail inmates	-	-	8,706
Due to program participants	-	-	107,567
Due to schools	-	-	152,528
	<hr/>	<hr/>	<hr/>
Total liabilities	-	9,617	866,887
	<hr/>	<hr/>	<hr/>
<u>Net Assets</u>			
Assets held in trust for pension benefits	-	196,553	-
Assets held in trust for other purposes	21,525	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 21,525	\$ 196,553	\$ -
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

Cabarrus County, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust Funds	Pension Trust Fund
	<hr/>	<hr/>
Additions:		
Contributions	\$ 88	\$ 340,536
Interest	884	11,320
	<hr/>	<hr/>
Total additions	972	351,856
	<hr/>	<hr/>
Deductions:		
Awards	1,000	-
Pension plan benefits	-	334,090
	<hr/>	<hr/>
Total deductions	1,000	334,090
	<hr/>	<hr/>
Change in net assets	(28)	17,766
Net assets, July 1	21,553	178,787
	<hr/>	<hr/>
Net assets, June 30	\$ 21,525	\$ 196,553
	<hr/> <hr/>	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements and the following accounting policies of Cabarrus County, North Carolina (the "County") and its component units conform to accounting principles generally accepted in the United States of America as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member board of commissioners, is one of the one hundred counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities, for which the County is financially accountable. The Cabarrus Development Corporation, blended component unit, and the Cabarrus County Industrial Facility and Pollution Control Financing Authority, a discretely presented component unit, described below, have no financial transactions or account balances; therefore, they do not appear in the financial statements. The Public Health Authority of Cabarrus County, a discretely presented component unit described below, is reported in a separate column in the County's financial statements in order to emphasize that it is legally separate from the County.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Cabarrus Development Corporation	Blended	The Development Corporation is governed by a three-member board of directors who are established through the bylaws of the Articles of Incorporation.	None Issued
Cabarrus County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None Issued
Public Health Authority of Cabarrus County d.b.a Cabarrus Health Alliance	Discrete	Cabarrus Health Alliance (the "Alliance") was incorporated under the hospital authority act to provide public health care to the citizens and residents of the County. On April 20th, 1998, the Cabarrus County Board by resolution authorized the transfer of powers, duties, and responsibilities to the Alliance for communicable disease control, environmental protection, and maintenance of vital records. The Alliance has leased office space from the County for a 10-year term. The members of the board of Alliance are appointed by the Chairperson of the Board of Commissioners for Cabarrus County. The County provides funding to the Alliance on an established per capita rate of \$25.66 for FY 2008. The County funded the Alliance with \$4,019,488 or 23% of its total revenues for the fiscal year ended June 30, 2008. A financial benefit or burden relationship exists between the Alliance and the County.	Cabarrus Health Alliance 1307 South Cannon Blvd. Kannapolis, NC 28083

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The County reports the following major governmental funds:

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

The ***Justice Center Construction Fund***. This fund accounts for the planning, design and construction of a Jail Annex Building and Sheriff's Administration Building.

The ***School Construction Fund***. This fund accounts for planning, design, construction and/or renovation of schools with Certificates of Participation, Lottery proceeds and contributions from the General and Capital Reserve funds.

The County reports the following major proprietary fund:

The ***Landfill Fund*** is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Additionally, the County reports the following fund types:

The ***Internal service fund*** accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Cabarrus County has two internal service funds, the Workers Compensation Fund and Self-Insured Hospitalization Fund.

The ***Fiduciary funds*** account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following fund types:

The ***private-purpose trust fund*** is used to account for resources legally held in trust for use by a not-for-profit organization. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Kevin Pugh Fund and the Foster Care Scholarship Fund accounts for assets where the interest and principal can be spent.

The ***pension trust fund*** is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Special Separation Allowance Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

The ***agency fund*** is custodial in nature and does not involve the measurement of operating results. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The County maintains six agency funds, the Department of Social Services Agency Fund, the Work Over Welfare Agency Fund, the Charitable Campaign Agency Fund, the Undistributed Taxes Agency Fund, the Fines and Forfeitures Agency Fund and the Jail Commissary Agency Fund. The Department of Social Services Agency Fund is used to account for money deposited with the County through the social services department under a program which manages the financial affairs of persons unable or incapable of managing them on their own. The Work Over Welfare Agency Fund accounts for moneys held by the Department of Social Services as an agent for various individuals who are participating in a work program in lieu of receiving AFDC/Food Stamps. The Charitable Campaign Agency Fund is used to account for money County employees contribute through annual one time giving and through payroll deductions for the purpose of distribution to charitable non-profit agencies in our area. One hundred percent of the money collected is distributed to the charitable non-profit agencies. The Undistributed Taxes Agency Fund is used to accumulate collected property taxes before they are distributed to local municipalities. The Fines and Forfeitures Agency Fund is used to accumulate fines and forfeitures before they are distributed to the local School Boards. It is also used to accumulate the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles. The Jail Commissary Agency Fund is used to account for an inmates money deposited with the County when an inmate is housed at the County Jail. The money can be used by the inmate to purchase commissary items. Any unused moneys are returned to the inmate upon their release.

The ***Special revenue funds*** account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

The ***Capital projects funds*** account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds and trust funds).

C. Measurement Focus, Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus except for the Agency Funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which 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. 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 60 days after year-end, except for property taxes. Cabarrus County management evaluated converting revenue recognition to a 90 day period after year end due to the change in sales tax distribution in North Carolina. After careful evaluation, the conversion was immaterial in dollars and also would cause an interruption in the operations and business of meeting reporting deadlines within the County. Based on these two issues, Cabarrus County has elected to remain at the 60 day rule for all revenue recognition. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cabarrus County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For registered motor vehicles, property taxes are due the first day of the fourth 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, which were billed during this period, are shown as a receivable on these financial statements.

Sales taxes 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 pronouncement conflict with GASB pronouncements.

D. 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 Landfill Enterprise Fund, the Cabarrus Arena and Events Center Special Revenue Fund, Tourism Authority Special Revenue Fund and the Fire District Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the special revenue funds and the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

The County Manager and/or Finance Director is hereby authorized to transfer appropriations within or between funds as contained herein under the following conditions:

1. The Finance Director or designee may transfer amounts between objects of expenditure within a department.
2. The County Manager may transfer amounts between objects of expenditures or revenues within a function without limitation.
3. The County Manager may transfer amounts up to \$100,000 between functions of the same fund.
4. The County Manager may not transfer any amounts between funds nor from any contingency appropriation within any fund without action of the Board of Commissioners, except as specified below for the Capital Improvement Plan and Salary and Benefits adjustments.
5. The County Manager is authorized to transfer funds from the Capital Reserve Fund to the appropriate fund for projects approved within the Capital Improvement Plan for the current fiscal year.
6. Additional authority is granted to the Finance Director to transfer amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Cabarrus County Personnel Management Policy and the Cabarrus County Personnel Ordinance.
7. Upon notification of funding decreases from state, federal or grant sources, budgets may be adjusted to match with the approval of the County Manager or Finance Director. Board of Commissioners' action will not be required unless staffing is affected.
8. The County Manager may enter into and execute change orders or amendments to construction contracts in amounts less than \$90,000 when the appropriate annual budget or capital project ordinance contains sufficient appropriated but unencumbered funds.

9. The County Manager may award and execute contracts which are not required to be bid or which G.S. 143-131 allows to be let on informal bids so long as the annual budget or appropriate capital project ordinance contains sufficient appropriated but unencumbered funds for such purposes.
10. The County Manager may execute contracts with outside agencies to properly document budgeted appropriations to such agencies where G.S. 153 A-248(b), 259, 449 and any similar statutes require such contracts.
11. The County Manager may reject formal bids when deemed appropriate and in the best interest of Cabarrus County pursuant to G.S. 143-129(a).

In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent the final authorized amounts as of June 30, 2008.

Expenditures may not legally exceed budgeted appropriations at the functional level. During the year, several supplementary appropriations were necessary. The net effect of the budget amendments from the adopted budget to the final amended budget was immaterial. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

As required by General Statute (G.S.) 159-26(d), the County maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances are recognized during the year; however, all encumbrances are canceled at year-end and, therefore, do not constitute expenditures or liabilities of the current year. Encumbrances canceled at year-end may be reappropriated in the subsequent year.

E. Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the County and its component units are made in board designated official depositories and are secured as required by G.S. 159-31. The County and its component units may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County and its component unit 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 its component units 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).

Investments for the County and its component units with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT'S share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

2. Cash and Cash Equivalent

A centralized cash account is maintained and may be used by all funds except the Public School Building Fund. Interest is allocated quarterly to the owning funds based on the average cash balances outstanding during the quarter. Public School Building Fund cash is held by the Department of State Treasurer, State of North Carolina in a separate account upon which manual checks may be issued and/or draw down of funds made.

The County and the Alliance pool moneys 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.

3. Restricted Assets

The unexpended amounts of Certificates of Participation, Bonds and Installment Financings are classified as restricted cash and cash equivalents on the Statement of Net Assets and the Governmental Balance Sheet. The amounts are considered restricted because their use is expressly prohibited except for the original purpose of which the debt was issued.

4. Ad Valorem Taxes Receivable

In accordance with G.S. 105-347 and G.S. 159-13(a), ad valorem taxes on property other than motor vehicles are levied on July 1, the beginning of the fiscal year, and are due on September 1; however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2007. The legal lien date is January 1.

The County is permitted by North Carolina general statutes to levy taxes up to \$1.50 per \$100 assessed valuation for general governmental services. This limitation does not apply to debt service, court and jail facilities, funding deficits, conducting elections, kindergarten to post secondary public education, social services or joint ventures with other political subdivisions in providing these functions, services or activities. The County's tax rate for the 2007/08 fiscal year was \$0.63 per \$100 valuation.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories and Prepaid items

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The General Fund inventory reported on the Balance Sheet is offset by a fund balance reserve, which indicates that it does not constitute a resource available for appropriation even though it is a component of net current assets. The Alliance maintains no inventory.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets, which include property, plant and equipment are

reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets lives are not capitalized.

The County holds title to certain Cabarrus County and Kannapolis City Board of Education properties, which have not been included in capital assets. The properties have been deeded to the County to permit Certificates of Participation and installment financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Boards of Education give the Boards of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Boards of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Cabarrus County and Kannapolis City Boards of Education.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Land improvements	15
Furniture and equipment	5
Reservoir	999
Vehicles and motorized equipment	5

Capital assets of the Cabarrus Health Alliance are depreciated over their useful live on a straight-line basis as follows:

<u>Assets</u>	<u>Years</u>
Office equipment	5
Computer equipment	5
Vehicles	5
Leasehold Improvements	15

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In fund financial statements for governmental fund types, the face of debt issued is reported as an other financing source.

9. Compensated Absences

All permanent and probationary County and Alliance employees who are scheduled to work at least 1,000 hours during the calendar year receive vacation and sick leave benefits. The County's vacation policy allows for an unlimited accumulation of earned leave during the calendar year with a maximum of 240 hours (336 hours for emergency services personnel) being carried over to January 1. Vacation exceeding 240 hours (336 hours for emergency services personnel) is converted into sick leave after January 1st. Vacation leave is fully vested when earned. The County budgets and funds the current portion of accumulated vacation leave during each fiscal year.

Vacation leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. 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 County's and Alliance's sick leave policies also allow for unlimited accumulation of earned leave. Sick leave benefits do not vest but any unused leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. As there is not an obligation to pay sick leave until it is actually taken, no liability is recorded for these nonvested benefits.

10. Net Assets

Net assets in government-wide and proprietary 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 and regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, reservations or restrictions 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 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 these amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, a component of net assets, which are not expendable, available resources.

Reserved by state statute - portion of fund balance, in addition to reserves for inventory, which is not available for appropriation after remaining reserves not available for appropriation have been segregated under State law G.S. 159-8(a). This amount is usually comprised of accounts receivables and interfund receivables, which are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation, which has been designated for the next fiscal year's adopted budget ordinance.

Unreserved - portion of total fund balance available for appropriation, which is uncommitted at year-end.

F. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers-out” in the General Fund and “Transfers-in” in the receiving fund.

H. Comparative Data/Reclassifications

Comparative data for the prior years have been presented for individual funds in the fund financial statements, the Management Discussion and Analysis report, the Notes to the Financial Statements and Capital Assets Used in the Operation of Government Funds, in order to provide an understanding of the changes in the financial position and operations of the County. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

Note 2. Stewardship, Compliance and Accountability

Excess of expenditures over appropriations

The legal level of budgetary control is the functional level. This is the level at which expenditures should not exceed appropriations. For the fiscal year ended June 30, 2008, the County's General Fund had no functions overexpended.

Note 3. Detailed Notes on All Funds

A. Deposits

All of the County’s and its component unit’s deposits 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 agents in these unit’s 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 its component units, these deposits are considered to be held by their agents in the entities name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, its component units or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the County or its component units 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. Cabarrus County has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Cabarrus Health Alliance has no formal policy regarding custodial credit risk for deposits.

At June 30, 2008, the carrying amount of the County's bank deposits (including fiduciary funds) was \$4,291,841 and the bank balance was \$4,919,294. There was \$41,597,669 in an escrow account with a financial institution. Sufficient collateral was maintained at June 30, 2008 to secure the County's deposits. Of the bank balance, \$700,000 was covered by federal depository insurance, the balance was covered by collateral held by authorized escrow agents in the name of the County. At June 30, 2008, the County had \$6,490 of cash on hand.

At June 30, 2008, the carrying amount of the Alliance's bank deposits was \$1,302,437 and the bank balance was \$1,399,420. Of the bank balance, \$100,000 was covered by federal depository insurance or by collateral held by the Alliance's agent in the Alliance's name. At June 30, 2008, the Alliance had \$2,100 of cash on hand.

B. Investments

As of June 30, 2008 the County had the following investments and maturities

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 6</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
		<u>Months</u>		
Municipal Bonds	\$ 55,300,000	\$ 55,300,000	\$ -	\$ -
NC Capital Management Trust - Cash Portfolio	33,335,338	N/A	N/A	N/A
	<u>\$ 88,635,338</u>	<u>\$ 55,300,000</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. The North Carolina State Education Assistance Authority (NCSEAA) instruments in the portfolio have final stated maturities ranging from 2015 to 2036. Historically they could be redeemed at par and the interest rate reset every 7, 28, or 35 days making the effective maturity date the next reset date, until February 2008 when the auctions began failing. At that time the instruments became illiquid and there was no secondary market.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. 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, 2006. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's formal policy indicates that the County shall utilize a third party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. Certificated securities shall be in the custody of the designated investment officer.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and agencies and authorized pools, Cabarrus County's investment policy does not allow for an investment in any one issuer in excess of 35% of the County's total investments.

At June 30, 2008, the Cabarrus Health Alliance investments consisted of \$2,369,371 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Alliance has no policy on credit risk or custodial credit risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>2-3 Years</u>	<u>4-7 Years</u>
NC Capital Management Trust - Cash Portfolio	\$ 2,369,371	N/A	N/A	N/A
	<u>\$ 2,369,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During fiscal year 2008, the County and the Alliance did not have any net gains/losses from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of the investments reported in the prior year. The net increase in the fair value of investments during fiscal year 2008 for the County was \$0. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end for the County was \$0. There were no unrealized gains/losses for the Alliance.

C. Property Tax-Use-Value Assessment on Certain Lands

In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed by the County at present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years along with accrued interest from the original due date. This tax is immediately due and payable. The amounts shown in the table are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2004	3,003,992	983,807	3,987,799
2005	3,780,855	897,953	4,678,808
2006	3,616,684	533,461	4,150,145
2007	<u>3,623,763</u>	<u>208,366</u>	<u>3,832,129</u>
Total	<u>\$14,025,294</u>	<u>\$2,623,587</u>	<u>\$16,648,881</u>

D. Receivables

1. Notes Receivable

On September 27, 1999 Northeast Fire Department agreed to pay \$250,000 over a 10 year period at zero interest for the construction of a new fire station. The first payment was due on January 1, 2000 and payable each quarter of each calendar year through October 1, 2009 on the first day of the months of January, April, July and October, with a final balloon payment of \$82,000 due on January 1, 2010 for total payments of \$250,000. The unpaid balance of the note at June 30, 2008 was \$107,200.

On May 22, 2007 Midland Volunteer Fire and Rescue agreed to pay \$900,000 over a 10 year period at zero interest for the construction of a new fire station. The first payment of \$3,000 will be due on July 1, 2007 and payable each month through June 1, 2012. Beginning July 1, 2012 payments of \$6,000 will be payable each month through June 1, 2017. A final balloon payment of \$360,000 is due on July 1, 2017 for total payments of \$900,000. The unpaid balance of the note at June 30, 2008 was \$861,000. The note receivable is being reported in the Capital Reserve Special Revenue Fund.

2. Receivables - Allowances for Doubtful Accounts

Receivables at the government-wide level for the Primary Government at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Customers</u>	<u>Due from other Governments</u>	<u>Taxes and Related Interest</u>	<u>Total</u>
Governmental Activities:					
General	\$ 3,574,561	\$ 3,229,798	\$ 7,172,727	\$ 3,953,952	\$ 17,931,038
Justice Center	-	-	564,122	-	564,122
School Construction	188,581	-	48,369	-	236,950
Other Governmental	1,450,864	-	82,868	12,273	1,546,005
Total Receivables	<u>5,214,006</u>	<u>3,229,798</u>	<u>7,868,086</u>	<u>3,966,225</u>	<u>20,278,115</u>
Allowance for doubtful accounts	-	(1,979,098)	-	(1,248,688)	(3,227,786)
Total-governmental activities	<u>\$ 5,214,006</u>	<u>\$ 1,250,700</u>	<u>\$ 7,868,086</u>	<u>\$ 2,717,537</u>	<u>\$ 17,050,329</u>
Business-type activities:					
Landfill	\$ 8,172	\$ 145,296	\$ 50,054	\$ 3,755	\$ 207,277
Allowance for doubtful accounts	-	(28,876)	-	-	(28,876)
Total-business-type activities	<u>\$ 8,172</u>	<u>\$ 116,420</u>	<u>\$ 50,054</u>	<u>\$ 3,755</u>	<u>\$ 178,401</u>

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Local option sales	\$ 7,868,086	\$ 3,353
Scrap tire tax	-	46,701
	<u>\$ 7,868,086</u>	<u>\$ 50,054</u>

3. Discretely presented component unit

Receivables at the government-wide level for the Cabarrus Health Alliance at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Customers</u>	<u>Taxes</u>	<u>Total</u>
Governmental Activities:				
General	\$ 943,096	\$ 1,594,018	\$ 108,593	\$ 2,645,707
Total Receivables	<u>\$ 943,096</u>	<u>\$ 1,594,018</u>	<u>\$ 108,593</u>	<u>\$ 2,645,707</u>
Allowance for doubtful accounts	-	(256,248)	-	(256,248)
Total-governmental activities	<u>\$ 943,096</u>	<u>\$ 1,337,770</u>	<u>\$ 108,593</u>	<u>\$ 2,389,459</u>

E. Capital Assets

1. Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital Assets not being depreciated:					
Land	\$ 20,277,523	\$ 186,845	\$ -	\$ -	\$ 20,464,368
Construction in Progress	29,569,650	28,876,788	-	(5,126,043)	53,320,395
Total capital assets not being depreciated	<u>49,847,173</u>	<u>29,063,633</u>	<u>-</u>	<u>(5,126,043)</u>	<u>73,784,763</u>
Capital Assets being depreciated:					
Buildings	51,036,713	40,620	-	322,458	51,399,791
Building Improvements	9,824,330	301,128	-	3,653,188	13,778,646
Equipment	9,163,895	1,460,461	(10,864)	-	10,613,492
Furniture and Fixtures	676,115	-	-	-	676,115
Land Improvements	4,902,384	112,430	-	941,441	5,956,255
Vehicles	6,021,870	1,671,509	(755,096)	208,956	7,147,239
Reservoir	21,743,730	-	-	-	21,743,730
Total capital assets being depreciated	<u>103,369,037</u>	<u>3,586,148</u>	<u>(765,960)</u>	<u>5,126,043</u>	<u>111,315,268</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Less accumulated depreciation for:					
Buildings	12,763,563	1,277,065	-	-	14,040,628
Building Improvements	1,902,494	261,674	-	-	2,164,168
Equipment	6,131,541	717,110	(10,864)	-	6,837,787
Furniture and Fixtures	571,240	27,705	-	-	598,945
Land Improvements	1,709,504	286,270	-	-	1,995,774
Vehicles	4,356,460	617,201	(642,541)	-	4,331,120
Reservoir	239,420	21,766	-	-	261,186
Total accumulated depreciation	<u>27,674,222</u>	<u>3,208,791</u>	<u>(653,405)</u>	<u>-</u>	<u>30,229,608</u>
Total Capital Assets, being depreciated, net	<u>75,694,815</u>	<u>377,357</u>	<u>(112,555)</u>	<u>5,126,043</u>	<u>81,085,660</u>
Governmental Capital Assets, net	<u>\$ 125,541,988</u>	<u>\$ 29,440,990</u>	<u>\$ (112,555)</u>	<u>\$ -</u>	<u>\$ 154,870,423</u>

Depreciation expense was charged to function/programs of the governmental activities as follows:

Governmental activities:

General Government	\$ 912,995
Public Safety	997,639
Environmental Protection	24,844
Economic & Physical Dev	21,288
Human Services	206,489
Culture & Recreation	<u>1,045,536</u>
Total depreciation expense - governmental activities	<u>\$ 3,208,791</u>

Capital asset activity for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 490,447	\$ -	\$ -	\$ 490,447
Construction in Progress	<u>64,195</u>	<u>425,071</u>	<u>(30,600)</u>	<u>458,666</u>
Total Capital assets, not being depreciated:	<u>554,642</u>	<u>425,071</u>	<u>(30,600)</u>	<u>949,113</u>
Capital assets, being depreciated:				
Land Improvements	1,295,092	-	-	1,295,092
Vehicles	1,988,371	166,278	(11,437)	2,143,212
Equipment	113,769	70,300	-	184,069
Buildings	762,199	-	-	762,199
Building Improvements	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>5,500</u>
Total Capital assets, being depreciated:	<u>4,164,931</u>	<u>236,578</u>	<u>(11,437)</u>	<u>4,390,072</u>
Less accumulated depreciation for:				
Land Improvements	201,097	73,341	-	274,438
Vehicles	845,403	178,253	(11,437)	1,012,219
Equipment	94,481	6,592	-	101,073
Buildings	75,002	19,055	-	94,057
Building Improvements	<u>837</u>	<u>137</u>	<u>-</u>	<u>974</u>
Total Accumulated Depreciation	<u>1,216,820</u>	<u>277,378</u>	<u>(11,437)</u>	<u>1,482,761</u>
Total Capital assets, being depreciated, net	<u>2,948,111</u>	<u>(40,800)</u>	<u>-</u>	<u>2,907,311</u>
Proprietary Capital assets, net	<u>\$ 3,502,753</u>	<u>\$ 384,271</u>	<u>\$ (30,600)</u>	<u>\$ 3,856,424</u>

Business-type activities:

Solid Waste	\$ 256,862
Accumulated Depreciation of asset transferred from Governmental Activities	<u>20,516</u>
Total depreciation expense - business-type activities	<u>\$ 277,378</u>

2. Construction commitments

The government has active construction projects as of June 30, 2008. The projects include the construction of the Sheriff's Administration Building, construction of three schools, Park construction, Department of Social Services renovation project and construction of a scale house at the Landfill. At year-end, the government's commitments with contractors are as follows:

Project	Spent-To-Date	Remaining Commitment
Sheriff's Administrative Building	\$30,806,875	\$ 3,425,188
Schools	10,341,434	21,762,378
Parks Construction Renovation	1,664,548	192,786
Dept of Social Services Renovation	102,683	42,259
Scale House Construction	<u>420,401</u>	<u>83,055</u>
Total	<u>\$43,335,941</u>	<u>\$25,505,666</u>

3. Discretely presented component unit

Capital asset activity for Cabarrus Health Alliance for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ -</u>	<u>\$ 115,233</u>	<u>\$ -</u>	<u>\$ 115,233</u>
Capital assets, being depreciated:				
Furniture and fixtures	153,928	14,558	-	168,486
Vehicles	411,601	97,529	(9,467)	499,663
Equipment	515,094	68,716	-	583,810
Land Improvements	<u>828,982</u>	<u>-</u>	<u>-</u>	<u>828,982</u>
Total capital assets being depreciated	<u>1,909,605</u>	<u>180,803</u>	<u>(9,467)</u>	<u>2,080,941</u>
Less accumulated depreciation:				
Furniture and fixtures	153,928	1,213	-	155,141
Vehicles	365,678	28,498	(9,467)	384,709
Equipment	393,676	64,510	-	458,186
Land Improvements	<u>151,709</u>	<u>55,266</u>	<u>-</u>	<u>206,975</u>
Total accumulated depreciation	<u>1,064,991</u>	<u>149,487</u>	<u>(9,467)</u>	<u>1,205,011</u>
Total governmental activities, being depreciated (net)	<u>\$ 844,614</u>	<u>\$ 31,316</u>	<u>\$ -</u>	<u>\$ 875,930</u>
Governmental Capital Assets, net	<u>\$ 844,614</u>	<u>\$ 146,549</u>	<u>\$ -</u>	<u>\$ 991,163</u>

F. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 7,279,041	\$ 1,468,474	\$ 408,668	\$ 9,156,183
Justice Center Construction	1,256,280	-	-	1,256,280
School Construction	2,855,001	-	-	2,855,001
Other Governmental	758,598	22,105	100,000	880,703
Total-governmental activities	<u>\$ 12,148,920</u>	<u>\$ 1,490,579</u>	<u>\$ 508,668</u>	<u>\$ 14,148,167</u>
Business-type activities				
Landfill	<u>\$ 179,357</u>	<u>\$ 12,006</u>	<u>\$ -</u>	<u>\$ 191,363</u>

Payables at the government-wide level for the Cabarrus Health Alliance at June 30, 2008, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 318,577	\$ 470,370	\$ 788,947
Total-governmental activities	<u>\$ 318,577</u>	<u>\$ 470,370</u>	<u>\$ 788,947</u>

G. Closure and Postclosure Care Cost - Cabarrus County Landfill Facility

State and federal laws and regulations require Cabarrus County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,561,370 reported as landfill closure and postclosure care liability at June 30, 2008 represents a cumulative amount reported to-date based on 100 percent of the total Municipal Solid Waste estimated capacity and 100 percent of the total Commercial and Demolition estimated capacity and 45% of the C & D expansion area of the landfill. This amount is based on what it would cost to perform all closure and postclosure care in 2008. The change in closure/post closure liability from 2007 to 2008 resulted in a net increase of \$501,668. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Cabarrus County also accepts construction and demolition (C & D) waste. As of June 30, 2008 the useful life of this landfill is closed. However, an expansion facility was opened to accept additional C & D waste. Closure/postclosure costs were recorded for this expansion portion of the C & D facility.

Cabarrus County has met the requirements of a local government financial test that is one option under State and Federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements. Governments utilizing the local government financial test are exempt from a set contribution schedule.

H. Deferred / Unearned Revenues

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

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$ 809,043
Taxes receivable, net (General)	2,626,546	-
Ambulance receivable, net (General)	1,146,011	-
Building inspections receivable, net (General)	104,690	-
Total	<u>\$ 3,877,247</u>	<u>\$ 809,043</u>

I. Leases

1. Capital Leases

The County has entered into an agreement which qualifies as a capital lease under the provisions of Financial Accounting Standards Board Statement No. 13 "Accounting for Leases" and subsequent amendments.

On May 15, 2007 the County entered into a lease agreement as lessee for financing the acquisition of Accela Permitting, Licensing and Inspection Software with a down payment of \$250,000 inclusive of \$4,022 interest which has an effective rate of 2.99%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the date of inception.

The asset acquired through the capital lease is as follows:

	Governmental Activities
County owned Asset:	
Software (equipment)	\$ 689,546
Less: Accumulated depreciation	<u>137,909</u>
Total	<u>\$ 551,637</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	Governmental Activities
2009	\$ 122,472
2010	122,472
2011	<u>122,472</u>
Total minimum lease payments	367,416
Less: amount of representing interest	<u>(35,451)</u>
Present value of minimum lease payments	<u>\$ 122,472</u>

Cabarrus County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

2. Operating Leases

The County leases building and office facilities under non-cancelable operating leases. Total costs for the leases were \$716,675 for the year ended June 30, 2008. The future minimum lease payments for this lease are as follows:

Year Ending, June 30	Amount
2009	\$ 719,023
2010	704,404
2011	704,404
2012	621,676
Total	<u>\$ 2,749,507</u>

J. Long-term Obligations

1. General Obligation Indebtedness

General obligation bonds are issued to provide funding for the construction of capital facilities used for general government activities. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements are provided by appropriation in the year in which they become due.

The County's general obligation bonds payable at June 30, 2008 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$17,490,000 (August 1, 2003) Refunded Bonds due on March 1 and September 1 in installments through March 1, 2012; interest of 2.0 to 4.0 percent (part of this refunding financed the construction of the County owned reservoir).	\$ 4,790,000
\$32,855,000 (March 15, 2004) Advanced Refunding Bonds due on August 1 and February 1 in installments through February 1, 2018; interest at 3.0 to 5.0 percent .	30,205,000
\$50,000,000 (March 1, 2005) School Series Bonds due on September 1 and March 1 in installments through March 1, 2025; interest at 3.0 to 5.0 percent.	45,200,000
\$48,000,000 (September 1, 2006) Public Improvement Series Bonds due on March 1 and September 1 in installments through March 1, 2027; interest at 4.0 to 5.0 percent.	<u>46,700,000</u>
	<u>\$ 126,895,000</u>

Cabarrus County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2008

For Cabarrus County, the annual debt service payments to maturity as of June 30, 2008, for the County's general obligation bonds are as follows:

<u>Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 7,060,000	\$ 5,486,959
2010	7,270,000	5,232,759
2011	6,905,000	4,976,758
2012	6,965,000	4,715,390
2013	6,965,000	4,434,050
2014	7,655,000	4,118,550
2015	7,640,000	3,773,800
2016	7,630,000	3,391,800
2017	7,610,000	3,010,300
2018	7,495,000	2,629,800
Next 5 years	40,800,000	8,631,750
To maturity	<u>12,900,000</u>	<u>1,836,000</u>
Total	<u>\$126,895,000</u>	<u>\$52,237,916</u>

At June 30, 2008 Cabarrus County had a legal debt margin of \$985,078,494.

2. Certificates of Participation

On March 1, 2001 the Cabarrus County Development Corporation issued \$40,000,000 in Certificates of Participation (COPS) Installment Contracts to finance the construction and equipping of two middle schools and one elementary school. These 20-year COPS have interest rates ranging from 4.0% to 5.0%. Debt service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$4,069,167 to \$2,100,000. Total principal and interest over a 20-year period will be \$61,199,167. Total principal balance due at June 30, 2008 was \$26,000,000.

On August 15, 2002, the Cabarrus County Development Corporation issued \$26,390,000 in Certificates of Participation (COPS) to finance the construction and equipping of the Cabarrus County Schools Administration Building, five school gymnasiums, and the County owned Cabarrus Arena & Events Center. The 20-year COPS have interest rates ranging from 3.0% to 5.25%. Debt service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$2,409,155 to \$1,396,500. Total principal and interest over the 20-year period will be \$38,718,153. Total principal balance due at June 30, 2008 was \$18,630,000.

On July 15, 2003, the Cabarrus County Development Corporation issued \$40,770,000 in Certificates of Participation (COPS) Installment Contracts to finance the cost of acquiring real property, construction and equipping of two elementary schools, one middle school, expansion of two existing elementary school facilities and various real and personal property improvements. These 20-year COPS have interest rates ranging from 2.0% to 5.25%. Debt Service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$3,813,000 to \$2,129,000. Total principal and interest over a 20-year period will be \$61,223,879. Total principal balance due at June 30, 2008 was \$32,615,000.

On February 22, 2007, the Cabarrus County Development Corporation issued \$33,595,000 in Certificates of Participation (COPS) Installment contracts to finance the construction of a County owned sheriff administration

facility. These 20-year COPS have interest rates ranging from 4.0% to 5.625%. Debt Service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$3,092,576 to \$1,744,093. Total principal and interest over a 20-year period will be \$49,537,033. Total principal balance due at June 30, 2008 was \$31,915,000.

On January 25, 2008, the Cabarrus County Development Corporation issued \$46,920,000 (2008A) Certificates of Participation (COPS) Installment contracts to finance the construction of a new high school. These 20 year COPS have interest rates ranging from 3.25% to 5.0%. Debt Service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$4,400,704 to \$2,447,594. Total principal and interest over a 20-year period will be \$68,856,864. Total principal balance due at June 30, 2008 was \$46,920,000.

On January 25, 2008, the Cabarrus County Development Corporation issued \$18,745,000 (2008B) Certificates of Participation (COPS) Installment contracts to refund the 1999 Installment Payment Revenue Bonds issued for the construction of JM Robinson High School. These 11 year COPS have interest rates ranging from 3.0% to 5.0%. Debt Service is financed by Cabarrus County property tax revenues. Annual payments of principal and interest range from approximately \$2,263,225 to \$1,485,750. Total principal and interest over an 11-year period will be \$20,655,550. Total principal balance due at June 30, 2008 was \$17,085,000.

For Cabarrus County, the annual debt service payments to maturity as of June 30, 2008, for the County's Certificates of Participation are as follows:

<u>Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 11,090,000	\$ 7,802,487
2010	11,065,000	7,368,532
2011	11,035,000	6,898,708
2012	11,010,000	6,468,150
2013	10,985,000	5,971,525
2014	10,955,000	5,487,625
2015	10,915,000	5,032,487
2016	10,885,000	4,544,585
2017	10,865,000	4,042,448
2018	10,835,000	3,540,710
Next 5 Years	43,050,000	10,363,258
To maturity	<u>20,475,000</u>	<u>2,426,394</u>
Total	<u>\$173,165,000</u>	<u>\$69,946,909</u>

3. Installment Financing

On April 12, 2005, Cabarrus County executed an installment financing contract with RBC Centura. The contract is for \$4.4 million for the construction of the County owned Rowan-Cabarrus Community College (RCCC) business center and the construction of a parking lot and design cost of Building 3000 which is owned by RCCC. The terms of the contract stipulate semi-annual payments of principal and interest from approximately \$388,000 to \$317,000 for seven years with the first payment due on October 12, 2005 and the final payment due on April 12, 2012. The annual interest rate is fixed at 3.54%. The principal balance due at June 30, 2008 was \$2,490,286. As of June 30, 2008 we have capitalized in Building Improvements \$3,349,234.

On October 4, 2006 Cabarrus County executed an installment financing contract with Fifth Third Bank (formerly First Charter). The contract is for \$15,000,000 for the construction of a County owned Jail Annex and

site development work in the Justice Complex. The terms of the agreement stipulate semi-annual payments of \$500,000 for the first year starting in April 2007 and commencing October 2021. The fixed interest was 4.31% the first year and 4.44% the next 14 years. The rate was renegotiated in March 2007 to 4.19% over the term of the entire loan. Total principal balance due at June 30, 2008 was \$13,500,000.

On August 17, 2007 Cabarrus County executed an installment financing contract with Bank of America. The contract was for \$7,305,000 for the purchase of land and site work for a new High School. The terms of the agreement stipulated semi-annual payments of principal and interest from approximately \$2,733,758 to \$52,109 for three years with the first payment due on February 1, 2008 and the final payment due on August 1, 2010. The interest rate was fixed at 4.28%. This installment financing contract was refinanced on January 25, 2008, by the Cabarrus County Development Corporation issuing \$46,920,000 (2008A) Certificates of Participation (COPS) Installment contracts. The balance due at June 30, 2008 was \$-0-.

For Cabarrus County, the annual debt service payments to maturity as of June 30, 2008, for the County's Installment Financing are as follows:

<u>Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,622,572	\$ 636,712
2010	1,622,572	573,911
2011	1,622,571	509,972
2012	1,622,571	446,886
2013	1,000,000	386,807
2014	1,000,000	345,704
2015	1,000,000	303,804
2016	1,000,000	262,416
2017	1,000,000	219,548
2018	1,000,000	178,104
To maturity	<u>3,500,000</u>	<u>293,471</u>
Total	<u>\$15,990,286</u>	<u>\$4,157,335</u>

4. Long-Term Obligation Activity

The following is a summary of Changes in the County's long-term obligations for the fiscal year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General Obligation Bonds	\$ 133,980,000	\$ -	\$ 7,085,000	\$ 126,895,000	\$ 7,060,000
Installment Revenue Bonds	18,000,000	-	18,000,000	-	-
Capital Leases	443,568	-	111,604	331,964	105,043
Certificates of Participation	116,220,000	65,665,000	8,720,000	173,165,000	11,090,000
Installment Financing	17,612,855	7,305,000	8,927,571	15,990,284	1,622,571
Compensated Absences	2,467,955	2,047,477	1,710,384	2,805,048	2,244,038
Unfunded Pension Cost	163,839	342,978	340,536	166,281	-
Total governmental activities	<u>\$ 288,888,217</u>	<u>\$ 75,360,455</u>	<u>\$ 44,895,095</u>	<u>\$ 319,353,577</u>	<u>\$ 22,121,652</u>

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Business-type activities					
Compensated absences	\$ 35,758	\$ 31,577	\$ 25,475	\$ 41,860	\$ 33,488
Landfill Closure/Post-Closure	4,203,990	501,668	144,288	4,561,370	-
Total business-type activities	<u>\$ 4,239,748</u>	<u>\$ 533,245</u>	<u>\$ 169,763</u>	<u>\$ 4,603,230</u>	<u>\$ 33,488</u>
	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Discretely presented component unit:					
Compensated absences	\$ 536,946	\$ 577,072	\$ 566,105	\$ 547,913	\$ 536,955
Total discretely presented component unit	<u>\$ 536,946</u>	<u>\$ 577,072</u>	<u>\$ 566,105</u>	<u>\$ 547,913</u>	<u>\$ 536,955</u>

For Governmental activities, compensated absences and unfunded pension cost are liquidated by the general fund. For business-type activities, compensated absences are liquidated by the business-type activity.

5. Advance Refundings

On March 15, 2004, the County issued \$32,855,000 of general obligation advance refunding revenue bonds to provide resources to purchase U.S. government securities that were placed into an irrevocable trust for the purpose of generating resources for all future debt service payments of refunded debt. The refunded debt consists of the County's series 1997 School Bonds dated February 1, 1997 and stated to mature on February 1 in the years 2008 to 2018 inclusive. The refunding debt was issued at a net interest cost of 3.3605%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Governmental activities column of the statement of net assets. The amount of defeased debt that remains outstanding as of June 30, 2008, is \$0. This advance refunding was undertaken to reduce total debt service payments over the following 15 years by \$182,000 and resulted in an economic loss of \$855,000. As required by GASB Statement 23, the difference between the reacquisition price and the net carrying amount of the old (refunded) bonds was deferred by \$3,756,747 and amortized as a component of interest expense over the remaining life of the refunding bonds. The unamortized deferred amount as of June 30, 2008 was \$2,586,980.

On January 31, 2008, the Cabarrus County Development Corporation issued Refunding Certificates of Participation, Series 2008B in the aggregate principal amount of \$18,745,000. A portion of the proceeds of the 2008B Certificates are to be applied to advance refund the Refunded Obligations. The refunded debt consists of the County's series 1999 Installment Payment Revenue Bonds dated June 16, 1999 and stated to mature on June 30, 2019. The refunding debt was issued at a net interest cost of 3.7863%. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Governmental activities column of the statement of net assets. The amount of defeased debt that remains outstanding as of June 30, 2008 is \$18,000,000. This advance refunding was undertaken to reduce total debt service payments over the following 11 years by \$1,143,720 and resulted in an economic loss of \$745,000. As required by GASB Statement 23, the difference between the reacquisition price and the net carrying amount of the old (refunded) bonds was deferred by \$958,846 and amortized as a component of interest expense over the remaining life of the refunding bonds. The unamortized deferred amount as of June 30, 2008 was \$922,526.

K. Conduit Debt Obligations

Cabarrus 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 the properties financed as well as by 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, there were two series of industrial revenue bonds outstanding, with an aggregate principal amount of \$14,900,000.

L. Interfund Balances and Activity

Transactions between funds are accounted for as follows:

- 1) Transactions which would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are recorded as revenues, expenditures or expenses in the appropriate funds.
- 2) Transactions which are reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the appropriate funds.
- 3) All transactions other than those in 1) and 2) above are recorded as transfers.

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

	Transfers In				Total Transfers Out
	Justice Center <u>Construction</u>	School <u>Construction</u>	<u>General</u>	Non <u>Major</u>	
General	\$ -	\$ -	\$ -	\$ 15,305,130	\$ 15,305,130
Justice Center	-	-	572	-	572
Non-Major	<u>75,600</u>	<u>5,228,344</u>	<u>2,793,325</u>	<u>2,153,773</u>	<u>10,251,042</u>
Total	<u>\$ 75,600</u>	<u>\$ 5,228,344</u>	<u>\$ 2,793,897</u>	<u>\$ 17,458,903</u>	<u>\$ 25,556,744</u>

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

From the General Fund to the Community Development Special
Revenue Fund for the County match of the Home Program \$ 45,000

From the General Fund to the Cabarrus Arena and Events Center Fund
for an operating transfer 800,000

From the Emergency Telephone Special Revenue Fund to the
General Fund for future placement into a Capital Projects Fund 1,779,119

From the General Fund to the Capital Projects Fund for future communication equipment purchases	1,779,119
From the General Fund to the Capital Reserve Fund to fulfill the 15% Fund Balance policy	10,880,987
From the General Fund to the Capital Reserve Fund for expenditures related to the construction of an incubator farm	400,000
From the General Fund to the Capital Projects Fund for construction and renovation at Frank Liske Park	376,912
From the General Fund to the Capital Projects Fund for the purchase of communication radios	336,000
From the General Fund to the Public School Building Capital Fund for Medicaid Hold Harmless payments set aside for public school construction	687,112
From the Emergency Telephone Special Revenue Fund to the General Fund for a 911 addressing employee	67,413
From the Capital Reserve Special Revenue Fund to the Capital Projects Fund for expenditures related to the construction and renovation of two parks	1,300,000
From the Capital Reserve Special Revenue Fund to the School Construction Fund for the construction of a Bus Garage	2,750,000
From the Capital Reserve Special Revenue Fund to the Justice Center Capital Project Fund for expenditures related to the construction of a new Justice Center	75,600
From the Capital Reserve Special Revenue Fund to the School Construction Fund for the engineering and site purchase of schools	210,000
From the Sheriff Department Special Revenue Fund to the General Fund for a JAG grant match	3,754
From the Sheriff Department Special Revenue Fund to the General Fund for a GANG grant match	22,995
From the Adequate Facilities Special Revenue Fund to the School Construction Fund for the construction and renovation of schools	1,000,000
From the Public School Building Capital Fund (Lottery Proceeds) to the \$98 Million School Bond Construction Fund for the construction and renovation of schools	643,773

From Public School Building Capital Fund (Lottery Proceeds) to the School Construction Fund for the construction and renovation of schools	744,820
From the Construction and Renovation Fund to the General Fund for the close out of the Construction and Renovation Fund	75,044
From the \$98 Million School Bond Construction Fund to the General Fund for the purchase of school buses	845,000
From the \$98 Million School Bond Construction Fund to the School Construction Fund for the construction of a school bus garage	733,524
From the Justice Center Construction Fund to the General Fund for debt service payments	<u>572</u>
Total	<u>\$ 25,556,744</u>

M. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Tax

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2008, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for public school capital outlays.

N. Public School Building Capital Fund

The Public School Building Capital Fund is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the State. Each calendar quarter, the Department of Revenue shall remit to the State Treasurer for credit in the fund, an amount equal to the applicable fraction provided by the following table of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million, which it deposits into the Critical School Facilities Needs Fund.

<u>Period</u>	<u>Fraction</u>
Prior to 10/1/97	Two thirty-first (2/31)
10/1/97 to 9/30/98	One-fifteenth (1/15)
10/1/98 to 9/30/99	Two twenty-ninths (2/29)
10/1/99 to 9/30/00	One fourteenth (1/14)
After 9/30/00	Five sixty-ninths (5/69)

The corporate income taxes deposited into the Fund are allocated to the County on the basis of its average daily membership (ADM) as determined by the North Carolina State Board of Education. The Office of State Budget and Management established and maintains an ADM allocation account for the County. At June 30, 2008 the balance of the County's ADM allocation account was \$3,877,792. The County must match this balance on the basis of one dollar for every three dollars of state funds for financing the school unit's facilities capital needs. The local school technology plan does not require a County match.

After approving a school capital project authorized by the Act, the Office of State Budget and Management will transfer funds from the County's ADM allocation account to its disbursing account maintained with the State Treasurer. At that time, the ADM allocation transferred is considered to be "available" and is recognized in the Public School Building Capital Fund as intergovernmental revenue. At June 30, 2008 the County's disbursing account had a \$69,514 balance.

O. Benefit payments Issued by the State

The following amounts listed under the columns labeled "Federal" and "State" were paid by the State of North Carolina from federal and state moneys directly to individual recipients on behalf of Cabarrus County and Cabarrus Health Alliance and are not

	<u>Federal</u>	<u>State</u>
Medical assistance	\$72,796,295	\$37,751,506
Temporary assistance to needy families	792,130	51
Special assistance to adults	-	1,323,964
Low income energy assistance payments	210,349	-
Refugee Assistance	1,231	-
Food stamp program	16,357,680	-
Adoption assistance	507,544	145,115
Total	<u>\$90,665,229</u>	<u>\$39,220,590</u>

included in the County's or the Alliance's financial statements since the County and the Alliance have no primary responsibilities beyond making eligibility determinations.

P. Internal Service Fund

The County maintains two internal service funds for workers' compensation and self-insured hospitalization insurance. These funds accumulate premiums and pays all claims and related expenses for workers compensation and health insurance activities. At June 30, 2008, the workers compensation internal service fund had an unrestricted net asset balance of \$1,435,314 and the self-insured hospitalization internal service fund had an unrestricted net asset balance of \$1,144,250. In the basic financial statements, the net assets and activities have been allocated to all governmental fund types, and business types as applicable. This surplus is being retained for anticipated future catastrophic losses.

Note 4. Other Information

1. Risk Management

The County is 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 participates in a liability program which is financed using a combination of self-funding and participation in the Carolina Governmental Alliance, Inc., a governmental corporation. The County retains the first \$350,000 in liability claims and claims expenses which are payable by the Carolina Governmental Alliance, Inc. Excess liability insurance above the \$350,000 retention is purchased up to a total limit of \$2,500,000 per occurrence.

The property insurance program is financed using a combination of self-funding and participation in the Carolina Governmental Alliance, Inc., a governmental corporation. Excess property insurance above a \$5,000 deductible is purchased based on the replacement values, submitted to the Excess Property Company each year.

At July 1, 1994, the County chose to establish a Workers Compensation Fund (an internal service fund) for risk associated with the workers compensation plan. The Workers Compensation Fund is where assets are set aside for claim settlements. At this time the fund is no longer being funded annually. The uninsured risk retention per accident is \$350,000 for workers compensation. The County has purchased commercial insurance for claims in excess of that amount.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The claims liability for fiscal year ended June 30, 2008 is shown at right.

<u>Workers Compensation</u>		
	<u>6/30/2008</u>	<u>6/30/2007</u>
Unpaid claims, beginning of fiscal year	\$ 110,051	\$ 409,169
Incurred claims	650,333	378,395
Claim payments	<u>(413,891)</u>	<u>(677,513)</u>
Unpaid claims, end of fiscal year	<u>\$ 346,493</u>	<u>\$ 110,051</u>

On July 1, 2004, the County chose to establish a Self-Insured Health Insurance Fund (an internal service fund) for risk associated with the health insurance plan. The Health Insurance Fund is where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees plus this benefit is also offered to retired employees who meet specific criteria. The total charge to each fund is based on actual calculated cost which includes but not limited to fixed cost, mature claim cost, expected monthly liability and the number of projected employees who will be covered by insurance.

The uninsured risk retention per claim is \$100,000 with an aggregate stop loss of 125%. This coverage is for claims incurred and paid in 12 months. The benefits covered are medical MH/SA Pharmacy and Vision.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The claims liability for fiscal year ended June 30, 2008 is shown at right.

<u>Self-Insured Health Insurance</u>		
	<u>6/30/2008</u>	<u>6/30/2007</u>
Unpaid claims, beginning of fiscal year	\$ 185,433	\$ 72,723
Incurred claims	4,600,254	4,065,889
Claim payments	<u>(4,931,084)</u>	<u>(3,953,179)</u>
Unpaid claims, end of fiscal year	<u>\$ 145,397</u>	<u>\$ 185,433</u>

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 Director of Finance and Tax Collector are each individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

The County carries commercial coverage for all other risks of loss including flood loss. 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 Alliance is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Alliance has property, general liability, auto liability, workers' compensation and medical malpractice liability coverage through an outside agent.

2. Contingent Liabilities

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 moneys to the grantor agencies. The amount, if any, of such refunds cannot be determined at this time although management believes that such amounts would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

At June 30, 2008, the County was a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

In the Fall of 2008/Spring 2009, the City of Kannapolis plans to be issuing "project development financing" bonds in an amount not to exceed \$168,000,000 to provide funding for all or a portion of the costs of certain public infrastructure improvements related to the development of the North Carolina Research Campus. The North Carolina Research Campus will be owned by Castle and Cooke. The County has agreed to provide assistance to this development project. By resolution adopted on November 19, 2007, the County authorized the execution and delivery of an interlocal agreement with the City of Kannapolis. Pursuant to the interlocal agreement, the County will agree to pledge a portion of the annual ad valorem property taxes received by the County on the incremental value of the property in the Development Financing District in support of the project development financing bonds issued by the City of Kannapolis, but not in excess of the "Maximum County Contribution Amount" in each year. The Maximum County Contribution Amount for a year is the lesser of (i) 100% of the net incremental ad valorem tax revenues collected on behalf of the County within the Development Financing District in such year and (ii) 50% of the net aggregate annual principal and interest requirements on the project development financing bonds in that year (with credit being given to the County for the amount of proceeds of the project development financing bonds being used to pay capitalized interest and investment earnings that are being used to pay principal or interest on the project development financing bonds).

3. Joint Ventures

The County participates in a joint venture to operate Piedmont Behavioral Health (PBH) with four other local governments. Each participating government appoints four board members to the twenty-member board. The County has an ongoing financial responsibility for the joint venture because PBH's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in PBH, so no equity interest has been reflected in the financial statements at June 30, 2008. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$632,359 to PBH to supplement its activities. Complete financial statements for PBH can be obtained from PBH's offices at 245 LePhillip Court, Concord, NC 28025.

The County, in conjunction with the State of North Carolina, Rowan Cabarrus Community College and Rowan County participates in a joint venture to operate the Rowan Cabarrus Community College. Each of the four participants, except the County who only appoints two members, appoints four members of the fifteen-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 to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the 2003 Refunded general obligation bonds issued for this purpose, \$231,446 in debt is still outstanding. In March 2005, the County issued installment financing for the up fit of the old school administration building which will house the new RCCC Business Center. The total financed cost of the up fit totaled \$4,358,000. The County has leased this facility to RCCC for \$1 per year. At fiscal year end \$2,490,286 in debt is still outstanding. 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 \$1,858,004 to the community college for operating purposes during the fiscal year ended June 30, 2008. In addition, the County made debt service payments of \$734,144 during the fiscal year on general obligation bonds and installment financing issued for community college capital facilities. 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. Complete financial statements for the community college may be obtained from the community college's administrative offices at I-85 at Jake Alexander Boulevard South, Salisbury, NC 28145.

4. Jointly Governed Organization

The County, in conjunction with eight other counties and fifty-four municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various 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 \$36,104 to the Council during the fiscal year ended June 30, 2008.

The County in conjunction with the Cities of Concord and Kannapolis and the Towns of Harrisburg and Mount Pleasant organized the Water and Sewer Authority of Cabarrus County in order to operate and maintain a regional interceptor sewer system and wastewater treatment system. Although not a user of the wastewater treatment services, the County is a related party by virtue of joint governance of the Water and Sewer Authority of Cabarrus County.

5. Other Employment Benefits

The County and the Alliance have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's Retirement System (Death Benefit Plan), a State administered plan funded on a one year-term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Annually, the State sets the County's and the Alliance's monthly contribution rates for death benefits. 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 the County, the County and the Alliance do 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 \$31,076 and the Alliance made no contribution. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09%, and .14% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

Effective July 1, 2004, pursuant to a new IRS regulation regarding Group Life Insurance benefits, the County is now required to include the amount of group life insurance coverage that exceeds \$50,000 as a taxable fringe benefit. As a full-time employee participating in the NC Local Government Retirement System, an employee is eligible for a death benefit of \$25,000 to \$50,000 and an additional \$20,000 the County provides for all employees who have been employed for at least one year. If an employee has purchased additional insurance through the County, this will also be included in the employees total life insurance fringe benefits. If this combined life insurance coverage exceeds the \$50,000 limit, the excess amount is multiplied by a premium cost factor per \$1,000 based on your age at December 31st provided by the IRS. This amount is then added to the employee's taxable wages on a calendar year basis.

6. Other Postemployment Benefits (OPEB) – Healthcare Benefits

Plan Description. Based on a 1997 County approved policy, the County will pay for basic medical insurance for all retirees that qualify based on years of service.

The following schedule became effective on July 1, 1997:

<u>Years of Service with Cabarrus County and Membership to LGERS</u>	<u>% of Retiree Health Insurance the County Pays</u>
Qualified retirement with 10 or more years of service with Cabarrus County	100%
Qualified retirement with less than 10 years of service with Cabarrus County	50%

Effective November 1, 2003, the ordinance was amended and reads as follows:

<u>Years of Service with Cabarrus County and Membership to LGERS</u>	<u>% of Retiree Health Insurance the County Pays</u>
Qualified retirement with 25 or more years of service with Cabarrus County	100%
Qualified retirement with less than 10 years of service with Cabarrus County	50%

This amendment applies to those employees coming to work on or after November 1, 2003. Current employees were grandfathered under the ten year requirement. The County's contribution will cease when the retiree becomes eligible for Medicare (or reaches the age where they would have had such benefits had they been qualified for Social Security).

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees receiving benefits	100
Active Plan Members:	
General Employees	444
Law Enforcement	<u>153</u>
Total	<u><u>697</u></u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees. Retirees are required to pay for dependent coverage. The County contributions are financed on a pay as you go basis. In the future, employees and retirees may be required to participate in premiums for basic group health and life insurance plans.

The current ARC rate is 8.25 % of annual covered payroll (5.55% normal cost and 2.70% accrued liability). The County contributed \$4,936,482 or 14.22% of annual covered payroll for the current fiscal year. The County is self insured for healthcare coverage. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 11% and 3% of covered payroll. Contributions of \$50 per month were made by employees and retirees who currently use tobacco products and have not signed a non use tobacco certification. These contributions were \$40,975 for the current year. There were no other contributions made by employees, except for dependent coverage in the amount of \$577,261.

Summary of Significant Accounting Policies. Postemployment expenditures for former employees not engaged in law enforcement are made from the General Fund. This fund is maintained on a modified accrual basis of accounting. No funds are set aside to pay benefits and administrative costs. These expenditures are paid as they come due.

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

Annual Required Contribution	\$1,850,169
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	1,850,169
Contributions made	(508,993)
Increase (decrease) in net OPEB obligation	1,341,176
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of Year	\$1,341,176

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$1,850,169	38%	\$1,341,176

Funded Status and Funding Progress. As of December 31, 2005, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus the unfunded actuarial accrued liability (UAAL) was \$17,505,771. The covered payroll (annual payroll of active employees covered by the plan) was \$21,611,231, and the ratio of the UAAL to the covered payroll was 81%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2005 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment return on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 12.00 to 6.00 percent annually. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short term volatility in the market value of investments over a five

year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005 was 30 years.

7. Pension Plan and Benefit Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the Alliance 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 Alliance, the current rate for employees is 4.88% of annual covered payroll. The contribution requirements of members and of Cabarrus County and the Alliance are established and may be amended by the North Carolina General Assembly. The County's contribution to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$1,623,545, \$1,467,622 and \$1,397,664, respectively. The Alliance's contributions to LGERS for the years ended June 30, 2008, 2007, and 2006, were \$430,211, \$390,846, and \$364,602 respectively. The contributions made by the County and the Alliance equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. Cabarrus 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 .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a pension trust fund. No stand-alone financial report exists.

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

Retirees receiving benefits	28
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	171
Total	<u>199</u>

Summary of Significant Accounting Policies:

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

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

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. The County transfers the contribution in a subsequent year following notification by the actuary of the amount. For the current year, the County contributed \$340,536 or 4.56% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases.

The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was 10 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for fiscal year ending June 30, 2008 are shown at right:

Annual required contribution	\$ 350,675
Interest on net pension obligation	11,878
Adjustment to annual required contribution	<u>(19,575)</u>
Annual pension cost	342,978
Contributions made	<u>(340,536)</u>
Increase in net pension obligation	2,442
Net pension obligation beginning of year	<u>163,839</u>
Net pension obligation end of year	<u><u>\$ 166,281</u></u>

3 Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	382,511	98.77%	226,443
6/30/2007	329,899	118.98%	163,839
6/30/2008	342,978	99.29%	166,281

Funded Status and Funding Progress. As of December 31, 2006, the most recent actuarial valuation date, the plan was 14.25 percent funded. The actuarial accrued liability for benefits was \$2,398,871, and the actuarial value of assets was \$341,866, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,057,005. The covered payroll (annual payroll of active employees covered by the plan) was \$6,715,791 and the ratio of the UAAL to the covered payroll was 30.63 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 plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan (401k)

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 provision to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County and the Alliance have chosen to extend this benefit to all its full and part-time (who are eligible for North Carolina Local Governmental Employees' Retirement System) employees. Contributions by Cabarrus County for the year ended June 30, 2008 were \$2,270,045 which consisted of \$1,663,490 from the County and \$606,555 from the employees. The Alliance's contributions for the year ended June 30, 2008 were \$534,254, which consisted of \$154,254 from the Alliance and \$ 380,000 from the employees.

d. Register of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 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 \$18,238.

8. Net Assets, Restated

Subsequent to the issuance of fiscal year 2007 financial statements, it was determined that land improvements in the governmental activities were not being depreciated. All land improvements are now depreciated. Depreciation expense of \$2,442,398 should have been recorded prior to July 1, 2007. This amount required the restatement of \$2,442,398 in the beginning net assets balance.

Net assets, July 1, 2007 as previously reported	\$(42,460,773)
Decrease net assets for accumulated depreciation on land improvements	<u>(2,442,398)</u>
Net assets, July 1, 2007, as restated	<u>\$(44,903,171)</u>

Cabarrus County, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2008

9. Effects of Subsequent Events

The North Carolina State Education Assistance Agency instruments in the portfolio having final stated maturities ranging from 2015 to 2036; have been called effective July 24, 2008 resolving the matter of illiquid investments for the County.

Cabarrus County, North Carolina
Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress
June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/1998	\$ 287,395	\$ 1,622,309	\$ 1,334,914	17.72%	\$ 4,095,259	32.60%
12/31/1999	280,222	1,656,225	1,376,003	16.92%	4,299,836	32.00%
12/31/2000	282,331	2,027,442	1,745,111	13.93%	4,540,272	38.44%
12/31/2001	232,210	2,210,604	1,978,394	10.50%	4,705,260	42.05%
12/31/2002	142,612	2,362,390	2,219,778	6.04%	5,076,155	43.73%
12/31/2003	56,515	2,403,560	2,347,045	2.35%	5,122,396	45.82%
12/31/2004	149,833	2,527,863	2,378,030	5.93%	5,690,981	41.79%
12/31/2005	265,718	2,275,330	2,009,612	11.68%	6,569,172	30.59%
12/31/2006	341,866	2,398,871	2,057,005	14.25%	6,715,791	30.63%
12/31/2007	377,233	2,436,234	2,059,001	15.48%	7,277,196	28.29%

Cabarrus County, North Carolina
Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1999	\$ 150,463	\$ 143,742	96%
2000	168,968	150,463	89%
2001	178,284	168,968	95%
2002	179,465	178,285	99%
2003	195,574	179,465	92%
2004	358,891	322,574	90%
2005	377,815	358,891	95%
2006	392,503	377,815	96%
2007	340,536	392,503	115%
2008	350,675	340,536	97%

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

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projects salary increases*	4.5% to 12.3%
Cost-of-living adjustments	N/A

*Includes inflation at 3.75%

Cabarrus County, North Carolina
Other Post Employment Benefits (OPEB)
Required Supplementary Information
Schedule of Funding Progress
June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending on Valuation Date (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2005	\$ -	\$ 17,505,771	\$ 17,505,771	0.0%	\$ 21,611,231	81.0%

Cabarrus County, North Carolina
Other Postemployment Benefits (OPEB)
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2008	1,850,169	508,993	28%

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

Valuation date	12/31/2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	12.00%-6.00%
Year of Ultimate trend rate	2010

*Includes inflation at 3.75%