

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

**Exhibit 1**

	2009		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,597,167	\$ 44,319,562	\$ 63,916,729
Taxes receivables (net)	288,871	-	288,871
Accounts receivable (net)	348,033	5,321,364	5,669,397
Due from other governments	2,246,785	-	2,246,785
Security deposits	35,100	-	35,100
Inventories	50,492	1,534,275	1,584,767
Net pension obligation	86,221	-	86,221
Restricted cash and cash equivalents	11,473,128	7,153,535	18,626,663
Capital assets			
Land, improvements, and construction in progress	47,256,382	18,736,509	65,992,891
Other capital assets, net of depreciation	108,260,793	85,997,999	194,258,792
Total assets	<u>189,642,972</u>	<u>163,063,244</u>	<u>352,706,216</u>
<b>LIABILITIES</b>			
Accounts payable	3,095,140	3,099,955	6,195,095
Unearned revenue	68,467	-	68,467
Accrued interest payable	168,865	48,735	217,600
Customer deposits	-	405,870	405,870
Due within one year			
Compensated absences	787,513	204,822	992,335
Bonds and notes payable	4,527,691	1,005,062	5,532,753
Due in more than one year			
Compensated absences	64,840	41,126	105,966
Other postemployment benefits	549,987	394,280	944,267
Bonds and notes payable	25,251,476	8,392,221	33,643,697
Total liabilities	<u>34,513,979</u>	<u>13,592,071</u>	<u>48,106,050</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	137,055,303	102,374,439	239,429,742
Restricted for:			
Streets-Powell Bill	159,726	-	159,726
Perpetual care			
Expendable	370,050	-	370,050
Nonexpendable	686,468	-	686,468
Unrestricted	16,857,446	47,096,734	63,954,180
Total net assets	<u>\$ 155,128,993</u>	<u>\$ 149,471,173</u>	<u>\$ 304,600,166</u>

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

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

**Exhibit 2**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 7,641,625	\$ 653,053	\$ -	\$ -	\$ (6,988,572)	\$ -	\$ (6,988,572)
Public safety	10,607,155	-	771,230	7,894	(9,828,031)	-	(9,828,031)
Public works	6,034,999	416,552	591,839	5,370,159	343,551	-	343,551
Environmental protection	3,052,774	2,309,558	-	-	(743,216)	-	(743,216)
Cultural and recreation	3,541,235	564,672	-	1,227,304	(1,749,259)	-	(1,749,259)
Interest on long-term debt	858,058	-	-	-	(858,058)	-	(858,058)
Total governmental activities	<u>31,735,846</u>	<u>3,943,835</u>	<u>1,363,069</u>	<u>6,605,357</u>	<u>(19,823,585)</u>	<u>-</u>	<u>(19,823,585)</u>
Business-type activities:							
Water and sewer	11,130,947	10,184,392	-	3,461,680	-	2,515,125	2,515,125
Electric	25,308,189	26,739,405	-	-	-	1,431,216	1,431,216
Total business-type activities	<u>36,439,136</u>	<u>36,923,797</u>	<u>-</u>	<u>3,461,680</u>	<u>-</u>	<u>3,946,341</u>	<u>3,946,341</u>
Total	<u>\$ 68,174,982</u>	<u>\$ 40,867,632</u>	<u>\$ 1,363,069</u>	<u>\$ 10,067,037</u>	<u>(19,823,585)</u>	<u>3,946,341</u>	<u>(15,877,244)</u>

General revenues:

Taxes:

Property taxes, levied for general purpose	14,244,992	-	14,244,992
Other taxes			
Local option sales	5,099,936	-	5,099,936
Motor vehicle licenses	133,842	-	133,842
Miscellaneous	54,827	-	54,827
Unrestricted intergovernmental	2,074,840	-	2,074,840
Unrestricted investment earnings	539,077	917,380	1,456,457
Miscellaneous	337,658	526	338,184
Total general revenues	<u>22,485,172</u>	<u>917,906</u>	<u>23,403,078</u>
Change in net assets	2,661,587	4,864,247	7,525,834
Net assets-beginning	152,467,406	144,606,926	297,074,332
Net assets-ending	<u>\$ 155,128,993</u>	<u>\$ 149,471,173</u>	<u>\$ 304,600,166</u>

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

**TOWN OF APEX, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

**Exhibit 3**

	<u>Major Funds</u>			<b>Total Governmental Funds</b>
	<b>General</b>	<b>General Capital Projects</b>	<b>Other Governmental Funds</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,775,882	\$ 489,943	\$ 4,027,080	\$ 19,292,905
Receivables, net:				
Taxes	288,871	-	-	288,871
Accounts	272,527	-	75,506	348,033
Due from other governments	2,164,557	76,979	5,249	2,246,785
Inventories	50,492	-	-	50,492
Restricted assets:				
Cash and cash equivalents	2,970,000	3,781,887	4,721,241	11,473,128
<b>Total assets</b>	<b>\$ 20,522,329</b>	<b>\$ 4,348,809</b>	<b>\$ 8,829,076</b>	<b>\$ 33,700,214</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,634,166	\$ 760,632	\$ 374,729	2,769,527
Unearned revenue	68,467	-	-	68,467
Deferred revenue	483,544	-	-	483,544
<b>Total liabilities</b>	<b>2,186,177</b>	<b>760,632</b>	<b>374,729</b>	<b>3,321,538</b>
Fund balances:				
Reserved for:				
Inventories	50,492	-	-	50,492
Encumbrances	379,443	-	-	379,443
State statute	2,242,411	-	-	2,242,411
Streets-Powell bill	159,726	-	-	159,726
Other	15,623	-	-	15,623
Perpetual care	-	-	686,468	686,468
Unreserved, reported in:				
General Fund	15,404,682	-	-	15,404,682
Designated for subsequent years expenditures	83,775	-	-	83,775
Special revenue funds	-	-	591,140	591,140
Capital projects funds	-	3,588,177	6,806,689	10,394,866
Permanent fund	-	-	370,050	370,050
<b>Total fund balances</b>	<b>18,336,152</b>	<b>3,588,177</b>	<b>8,454,347</b>	<b>30,378,676</b>
<b>Total liabilities and fund balances</b>	<b>\$ 20,522,329</b>	<b>\$ 4,348,809</b>	<b>\$ 8,829,076</b>	<b>\$ 33,700,214</b>

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

**TOWN OF APEX, NORTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2009**

**Exhibit 3**

Fund balances-total governmental funds		\$ 30,378,676
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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 governmental funds.

Governmental capital assets	\$ 213,427,151	
Less accumulated depreciation	<u>(57,909,976)</u>	155,517,175

Long-term liabilities, including bonds payable and related issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds.

Government bonds and notes payable	(29,935,000)	
Bond issuance costs	278,505	
Premiums received on bond issuance	(122,672)	
Other post employment benefits	(549,987)	
Compensated absences	<u>(852,353)</u>	(31,181,507)

An internal service fund is used by the Town to share the costs of insurance to individual funds. The assets and liabilities of this fund is included in governmental activities in the statement of net assets.

13,749

Deferred revenue in governmental funds is susceptible to full accrual on the entity-wide statements.

Deferred revenue	483,544
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Other assets are not available to pay for current period expenditures and therefore are not reported in the funds

Net pension liability	86,221
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Other liabilities are not due and payable in the current period and therefore are not reported in the governmental funds

Accrued interest payable	<u>(168,865)</u>
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Net assets of governmental activities	<u><u>\$ 155,128,993</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

**Exhibit 4**

	<b>Major Funds</b>			<b>Total Governmental Funds</b>
	<b>General</b>	<b>General Capital Projects</b>	<b>Other Governmental Funds</b>	
<b>REVENUES</b>				
Ad valorem taxes	\$ 14,247,333	\$ -	\$ -	\$ 14,247,333
Other taxes and licenses	5,269,403	-	-	5,269,403
Unrestricted intergovernmental	2,074,840	-	-	2,074,840
Restricted intergovernmental	1,644,277	-	72,304	1,716,581
Permits and fees	651,865	-	150,666	802,531
Sales and services	2,761,656	-	355,535	3,117,191
Investment earnings	350,783	106,338	81,269	538,390
Miscellaneous	223,942	5,099	120,000	349,041
Total revenues	<u>27,224,099</u>	<u>111,437</u>	<u>779,774</u>	<u>28,115,310</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,033,504	-	-	7,033,504
Public safety	9,804,030	-	-	9,804,030
Public works	1,993,508	-	-	1,993,508
Environmental protection	3,024,750	-	-	3,024,750
Cultural and recreational	3,006,273	-	-	3,006,273
Capital projects	-	5,318,114	3,381,962	8,700,076
Debt service:				
Principal	1,275,000	-	-	1,275,000
Interest	815,353	-	-	815,353
Total expenditures	<u>26,952,418</u>	<u>5,318,114</u>	<u>3,381,962</u>	<u>35,652,494</u>
Excess of revenues over (under) expenditures	<u>271,681</u>	<u>(5,206,677)</u>	<u>(2,602,188)</u>	<u>(7,537,184)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	2,970,000	9,100,000	6,500,000	18,570,000
Premium on bond issuance	62,154	-	61,205	123,359
Bond issuance costs	(45,117)	(74,771)	(93,917)	(213,805)
Transfers in	250,000	-	129,706	379,706
Transfers out	-	(250,000)	(129,706)	(379,706)
Total other financing sources (uses)	<u>3,237,037</u>	<u>8,775,229</u>	<u>6,467,288</u>	<u>18,479,554</u>
Net change in fund balances	<u>3,508,718</u>	<u>3,568,552</u>	<u>3,865,100</u>	<u>10,942,370</u>
Fund balances-beginning of year	14,827,434	19,625	4,589,247	19,436,306
Fund balances-end of year	<u>\$ 18,336,152</u>	<u>\$ 3,588,177</u>	<u>\$ 8,454,347</u>	<u>\$ 30,378,676</u>

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

**TOWN OF APEX, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

**Exhibit 4**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	10,942,370
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 9,747,643	
Less current year depreciation	<u>(6,336,088)</u>	3,411,555

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

Developer's contributed capital		6,251,845
Change in deferred revenues		40,974
Other postemployment benefits		(549,987)
Net pension benefit		38

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(11,383)
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The issuance of debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of debt	(18,570,000)	
Bond issuance costs	213,805	
Premium on bond issuance	(123,359)	
Amortization of bond issuance costs	(6,813)	
Principal payments	<u>1,275,000</u>	(17,211,367)

Net revenue of internal service funds determined to be governmental-type	13,749
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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		(191,002)
Change in accrued interest payable		<u>(35,205)</u>

Total changes in net assets of governmental activities	\$	<u><u>2,661,587</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF APEX, NORTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2009**

**Exhibit 5**

	<b>General Fund</b>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES:</b>				
Ad valorem taxes	\$ 13,721,000	\$ 13,721,000	\$ 14,247,333	\$ 526,333
Other taxes and licenses	5,841,000	5,841,000	5,269,403	(571,597)
Unrestricted intergovernmental	1,846,100	1,846,100	2,074,840	228,740
Restricted intergovernmental	1,590,812	1,596,661	1,644,277	47,616
Permits and fees	1,063,400	1,063,400	651,865	(411,535)
Sales and services	2,760,500	2,760,500	2,761,656	1,156
Investment earnings	696,250	696,250	350,783	(345,467)
Miscellaneous	155,500	166,816	223,942	57,126
Total revenues	<u>27,674,562</u>	<u>27,691,727</u>	<u>27,224,099</u>	<u>(467,628)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	7,646,793	7,386,777	7,033,504	353,273
Public safety	9,833,734	10,161,243	9,804,030	357,213
Public works	2,193,094	2,280,971	1,993,508	287,463
Environmental protection	3,074,552	3,074,752	3,024,750	50,002
Cultural and recreation	2,848,314	3,302,320	3,006,273	296,047
Debt service:				
Principal	1,275,000	1,275,000	1,275,000	-
Interest	815,353	815,353	815,353	-
Total expenditures	<u>27,686,840</u>	<u>28,296,416</u>	<u>26,952,418</u>	<u>1,343,998</u>
Revenues over (under) expenditures	<u>(12,278)</u>	<u>(604,689)</u>	<u>271,681</u>	<u>876,370</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	-	250,000	250,000	-
Bond proceeds	-	-	2,970,000	2,970,000
Premium on bond issuance	-	-	62,154	62,154
Bond issuance costs	-	-	(45,117)	(45,117)
Contingency	(20,220)	(558,335)	-	558,335
Fund balance appropriated	32,498	913,024	-	(913,024)
Total other financing sources (uses)	<u>12,278</u>	<u>604,689</u>	<u>3,237,037</u>	<u>2,632,348</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,508,718</u>	<u>\$ 3,508,718</u>
Fund balance - beginning of year			<u>14,827,434</u>	
Fund balance - end of year			<u>\$ 18,336,152</u>	

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

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

**Exhibit 6**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Totals</u>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,803,056	\$ 40,516,506	\$ 44,319,562	\$ 304,262
Accounts receivable (net) - billed	1,105,761	410,905	1,516,666	-
Accounts receivable - unbilled	2,899,713	904,985	3,804,698	-
Inventories	1,468,571	65,704	1,534,275	-
Restricted cash and cash equivalents	7,153,535	-	7,153,535	-
Total current assets	<u>16,430,636</u>	<u>41,898,100</u>	<u>58,328,736</u>	<u>304,262</u>
Noncurrent assets:				
Deposit	-	-	-	35,100
Capital assets:				
Land and other non-depreciable assets	1,803,391	7,001,814	8,805,205	-
Other capital assets, net of depreciation	24,047,202	61,950,797	85,997,999	-
Construction in progress	1,011,658	8,919,646	9,931,304	-
Capital assets (net of accumulated depreciation)	<u>26,862,251</u>	<u>77,872,257</u>	<u>104,734,508</u>	<u>-</u>
Total noncurrent assets	<u>26,862,251</u>	<u>77,872,257</u>	<u>104,734,508</u>	<u>35,100</u>
Total assets	<u>43,292,887</u>	<u>119,770,357</u>	<u>163,063,244</u>	<u>339,362</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	2,406,203	693,752	3,099,955	325,613
Customer deposits	405,870	-	405,870	-
Accrued interest payable	32,670	16,065	48,735	-
Bonds and notes payable	367,718	637,344	1,005,062	-
Compensated absences	101,851	102,971	204,822	-
Total current liabilities	<u>3,314,312</u>	<u>1,450,132</u>	<u>4,764,444</u>	<u>325,613</u>
Noncurrent liabilities:				
Compensated absences	10,540	30,586	41,126	-
Other post employment benefits	197,140	197,140	394,280	-
Bonds and notes payable	6,823,969	1,568,252	8,392,221	-
Total noncurrent liabilities	<u>7,031,649</u>	<u>1,795,978</u>	<u>8,827,627</u>	<u>-</u>
Total liabilities	<u>10,345,961</u>	<u>3,246,110</u>	<u>13,592,071</u>	<u>325,613</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	26,715,786	75,658,653	102,374,439	-
Unrestricted	6,231,140	40,865,594	47,096,734	13,749
Total net assets	<u>\$ 32,946,926</u>	<u>\$ 116,524,247</u>	<u>\$ 149,471,173</u>	<u>\$ 13,749</u>

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

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

**Exhibit 7**

	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 25,811,952	\$ 10,086,646	\$ 35,898,598	\$ 2,494,983
Water and sewer taps	-	27,420	27,420	-
Other operating revenues	927,453	70,326	997,779	-
Total operating revenues	<u>26,739,405</u>	<u>10,184,392</u>	<u>36,923,797</u>	<u>2,494,983</u>
<b>OPERATING EXPENSES</b>				
Electric operations	4,105,516	-	4,105,516	-
Electric power purchases	20,026,320	-	20,026,320	-
Water and sewer operations	-	6,846,092	6,846,092	-
Depreciation	1,143,683	4,213,301	5,356,984	-
Health and dental claims	-	-	-	2,071,079
Health and dental administrative fees	-	-	-	410,155
Total operating expenses	<u>25,275,519</u>	<u>11,059,393</u>	<u>36,334,912</u>	<u>2,481,234</u>
Operating income	<u>1,463,886</u>	<u>(875,001)</u>	<u>588,885</u>	<u>13,749</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	75,915	841,465	917,380	-
Interest expense	(32,670)	(71,554)	(104,224)	-
Gain on capital asset disposals	526	-	526	-
Total nonoperating revenues (expenses)	<u>43,771</u>	<u>769,911</u>	<u>813,682</u>	<u>-</u>
Income before transfers and contributions	<u>1,507,657</u>	<u>(105,090)</u>	<u>1,402,567</u>	<u>13,749</u>
Capital contributions	-	3,461,680	3,461,680	-
Change in net assets	<u>1,507,657</u>	<u>3,356,590</u>	<u>4,864,247</u>	<u>13,749</u>
Total net assets - beginning	31,439,269	113,167,657	144,606,926	-
Total net assets - ending	<u>\$ 32,946,926</u>	<u>\$ 116,524,247</u>	<u>\$ 149,471,173</u>	<u>\$ 13,749</u>

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

**TOWN OF APEX, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

**Exhibit 8**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			<b>Internal Service Fund</b>
	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 26,476,946	\$ 10,043,399	\$ 36,520,345	\$ 2,494,983
Cash paid for goods and services	(21,744,266)	(4,135,965)	(25,880,231)	(2,190,721)
Cash paid to or on behalf of employees for services	(2,255,863)	(2,759,673)	(5,015,536)	-
Increase in customer deposits	33,847	-	33,847	-
Net cash provided by operating activities	<u>2,510,664</u>	<u>3,147,761</u>	<u>5,658,425</u>	<u>304,262</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(1,892,062)	(3,845,336)	(5,737,398)	-
Principal paid on bond maturities and equipment contracts	-	(672,700)	(672,700)	-
Interest paid on bond maturities and equipment contracts	910	(66,614)	(65,704)	-
Sale of capital assets	526	-	526	-
Revenue bonds issued	7,300,000	-	7,300,000	-
Bond issuance costs	(109,224)	-	(109,224)	-
Net cash used by capital and related financing activities	<u>5,300,150</u>	<u>(4,584,650)</u>	<u>715,500</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	<u>75,915</u>	<u>841,465</u>	<u>917,380</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	7,886,729	(595,424)	7,291,305	304,262
Balances-beginning of the year	3,069,862	41,111,930	44,181,792	-
Balances-end of the year	<u>\$ 10,956,591</u>	<u>\$ 40,516,506</u>	<u>\$ 51,473,097</u>	<u>\$ 304,262</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 1,463,886	\$ (875,001)	\$ 588,885	\$ 13,749
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,143,683	4,213,301	5,356,984	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(262,459)	115,207	(147,252)	-
(Increase) decrease in inventory	(12,196)	1,748	(10,448)	-
(Increase) decrease in deposit	-	-	-	(35,100)
Increase (decrease) in accounts payable and accrued liabilities	(69,012)	(536,124)	(605,136)	325,613
Increase (decrease) in accrued compensated absences	15,775	31,490	47,265	-
Increase in other postemployment benefits	197,140	197,140	394,280	-
Increase in customer deposits	33,847	-	33,847	-
Total adjustments	<u>1,046,778</u>	<u>4,022,762</u>	<u>5,069,540</u>	<u>290,513</u>
Net cash provided by operating activities	<u>\$ 2,510,664</u>	<u>\$ 3,147,761</u>	<u>\$ 5,658,425</u>	<u>\$ 304,262</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Contributions of capital assets	\$ -	\$ 3,461,680	\$ 3,461,680	\$ -
Acquisition of capital assets through capital contributions	-	(3,461,680)	(3,461,680)	-
Net effect of non-cash contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**TOWN OF APEX, NORTH CAROLINA  
PENSION PLAN TRUST FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2009**

**Exhibit 9**

	<u>Law Enforcement Officers Special Separation Allowance</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 406,414
 <b>LIABILITIES</b>	
Accrued salaries payable	<u>-</u>
 <b>NET ASSETS</b>	
Held in trust for pension benefits and other purposes	<u>\$ 406,414</u>

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

**TOWN OF APEX, NORTH CAROLINA  
PENSION PLAN TRUST FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Year Ended June 30, 2009**

**Exhibit 10**

	<b>Law Enforcement Officers Special Separation Allowance</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 51,388
Investment earnings	
Interest	8,293
Total additions	59,681
 <b>DEDUCTIONS</b>	
Personnel services	40,435
Change in net assets	19,246
Net assets - beginning	387,168
Net assets - ending	\$ 406,414

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

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Apex have been prepared in conformity with generally accepted accounting principles as applied to government units. The following is a summary of the more significant accounting policies:

(a) Reporting Entity

The Town, a political subdivision of Wake County, is a municipal corporation governed by an elected mayor and a five member Town Council. There are no component units which are required to be included in these financial statements.

(b) Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. 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 result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

*The Town reports the following major governmental funds:*

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state-shared revenues, grants, building permits and fees, refuse collection and various other taxes and fees. The primary expenditures are for public safety, streets, sanitation, parks and recreation, and general governmental services.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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General Capital Project Fund – The General Capital Project Fund is used to account for financial resources to be used for projects relating to the construction or improvement of various Town facilities including the Police Building Improvements and Fire Station #4.

*The Town reports the following major proprietary funds:*

Electric Fund – The Electric Fund is used to account for electric operations. The Electric Fund is composed of two sub-funds: Electric Operations and the Electric Substation Project Fund, which are consolidated for financial reporting purposes.

Water and Sewer Fund – The Water and Sewer Fund is used to account for water and sewer operations. The Water and Sewer Fund is composed of four sub-funds: Water and Sewer Operations, Water and Sewer Project Fund, Wastewater Treatment Plant Project Fund and Water and Sewer Capital Reserve Fund, which are consolidated for financial reporting purposes.

*The Town reports the following nonmajor governmental funds:*

Special Revenue Funds – Special revenue funds are used to account for resources that are set aside to be used for future specific purposes. The Town has three Special Revenue Funds: the Recreation Reserve Fund, the Transportation Reserve Fund and the Eva Perry Library Fund.

Capital Project Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major facilities (other than those financed by proprietary funds). The Town has two non-major Capital Project Funds: the Street Improvement Capital Projects Fund and the Recreation Capital Project Fund.

Cemetery Permanent Fund – The Cemetery Permanent Fund is used to account for perpetual care of the municipal cemetery.

*Additionally, the Town reports the following fund types:*

Internal Service Fund – The Health and Dental Fund is used to account for health and dental claims of employees and certain retirees.

Fiduciary Fund – The Pension Plan Trust Fund accounts for the activities of the Law Enforcement Officers' Special Separation Allowance, which accumulates resources for pension benefit payments to qualified public safety employees. This fund is not included in the government-wide financial statements of the Town.

(c) Measurement focus, Basis of Accounting and Financial Statement Presentation

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

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town 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

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (a) charges to customers or applicants for goods, services or privileges provided, (b) operating grants and contributions and (c) 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 Town's enterprise fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental fund financial statements 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 judgements, 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 Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem property taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Wake County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County including the Town of Apex. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the Town's vehicle taxes for vehicles registered in Wake County from March 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town 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 Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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As permitted by generally accepted accounting principles, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is charges between the Town's Electric Fund and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

(d) Budgetary Data

Budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General, special revenue, permanent and enterprise funds. All annual appropriations lapse at fiscal year end. Project ordinances, which may cover more than one year, are adopted for the capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The Town's Health and Dental Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the Town's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. The Town Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund. Any revisions that alter total expenditures of any fund must be approved by the Town Council. During the year several amendments to the original budget became necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

(e) Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town 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 banker's acceptances; and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported 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.

2. Cash and Cash Equivalents

The Town pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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3. Restricted Assets

The unexpended bond proceeds of the Street Improvement Capital Projects Fund and unexpended note proceeds of the General Capital Project Fund are classified as restricted assets for the governmental activities because their use is completely restricted to the purpose for which the debt was originally issued. Additionally Refunding Bonds, Series 2009 which were sold June 25, 2009 but for which the bonds were not redeemed until July 27, 2009 is shown as restricted cash as these proceeds were placed in escrow for the restricted purpose of advance refunding certain bonds. Electric Fund revenue bonds issued by the Town are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the bonds were originally issued. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

4. Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-13(a), the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of the previous January 1.

5. Allowances for Doubtful Accounts

An allowance for doubtful accounts is maintained on the ad valorem taxes receivable in the General Fund and on utility receivables in the Electric Fund and the Water and Sewer Fund. This amount is estimated by analyzing the percentage of receivables that are written off in prior years. The direct write-off method is used by the Town on all other types of receivables. Under this method, all accounts considered uncollectible at June 30, 2009 have been charged against operations.

6. Inventories and Prepaid Items

Inventories are maintained for General and enterprise fund supplies. They are at cost (weighted average), which approximates market. The inventories of the Town's General and enterprise funds consist of materials and supplies for consumption. In each case the cost is recorded as an expense when the inventory is consumed.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. General infrastructure assets acquired prior to July 1, 2002 consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. Other costs incurred for repairs and maintenance is expensed as incurred.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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Capital assets are depreciated on a straight-line basis as follows:

<u>Item</u>	<u>Life</u>
Infrastructure	30 years
Equipment and Vehicles	3-10 years
Electric, Water and Sewer Systems	30-40 years
Buildings and Improvements	10-30 years
Land improvements	10 to 33 years
Furniture and fixtures	5 to 8 years

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Compensated Absences

The vacation policy of the Town allows employees to carry forward each December 31 of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Town's policy for compensatory time provides for an unlimited accumulation of earned compensatory time, which is vested. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement purposes. Since the Town has no obligation for the sick leave until it is actually taken, no provision has been made in the accompanying financial statements.

10. Net Assets/Fund Equity

Net Assets

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

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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Fund Balances

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

State law (G.S. 159-13(b)(16)) restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as 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 fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available for appropriation to pay for commitments related to purchase orders or contracts that remain unperformed at year end.

Reserved by state statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under state law (G.S. 159-8(a)). This amount is usually comprised of receivable balances that are not offset by deferred revenues.

Reserved for streets - Powell Bill - portion of fund balance available for appropriation but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Reserved - other - portion of fund balance reserved for Apex Tricentennial Committee, Kidstowne, appearance commission and restricted police and fire funds.

Reserved – perpetual care - portion of fund balance representing the principal trust of sales of cemetery plots. This principal must be held in trust; the interest income it generates may be used for cemetery maintenance and is reported as unreserved.

**UNRESERVED**

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2009-10 budget ordinance.

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

**Note 2 – DEPOSITS AND INVESTMENTS**

Deposits - All of the Town's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the Town's agent in the Town's name. 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 Town, these deposits are

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

considered to be held by the Town’s agent in the Town’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town 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 Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2009, the carrying amount of the Town’s deposits was \$19,017,283 and the bank balance was \$19,775,124. Of the bank balance, \$1,250,000 was covered by Federal depository insurance and \$18,525,124 was covered by collateral held under the pooling method. At June 30, 2009, the Town had \$1,225 of petty cash on hand.

Investments – at June 30, 2009, the Town’s investments consisted of the following:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Maturity</b>	<b>Rating</b>
US Treasuries	\$ 533,872	7/17/09	AAA
US Treasuries	464,996	10/9/09	AAA
US Treasuries	405,694	6/11/10	AAA
US Treasuries	325,568	9/15/12	AAA
US Treasuries	559,496	3/12/10	AAA
US Treasuries	510,817	4/09/10	AAA
NC Capital Management Trust –Cash Portfolio	56,402,608		AAAm
NC Capital Management Trust –Term Portfolio	4,321,833		Unrated
Total	<u>\$ 63,524,884</u>		

*Interest Rate Risk:* The Town does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk:* The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town’s investment to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible rating whenever particular types of securities are rated. The Town’s investment in the NC Capital Management Trust Cash Portfolio carried a rating of AAAm by Standard and Poor’s as of June 30, 2009. The Town’s investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

*Custodial Credit Risk:* For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third party custodial agent for book entry transactions, all of which shall be held in the Town’s name.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 3 – RECEIVABLES - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The amounts shown in Exhibit A for receivables are net of the following allowance for doubtful accounts:

General Fund	Allowance for Uncollectible Property Taxes	\$ 29,760
Electric Fund	Allowance for Uncollectible Utility Receivables	158,360
Water and Sewer Fund	Allowance for Uncollectible Utility Receivables	<u>51,390</u>
	Total	<u>\$ 239,510</u>

Note 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 32,525,920	\$ 1,989,765	\$ -	\$ 34,515,685
Construction in progress	<u>12,639,806</u>	<u>9,048,180</u>	<u>8,947,289</u>	<u>12,740,697</u>
Total capital assets not being depreciated	<u>45,165,726</u>	<u>11,037,945</u>	<u>8,947,289</u>	<u>47,256,382</u>
Capital assets being depreciated:				
Buildings	25,646,285	2,759,931	-	28,406,216
Other improvements	117,181,000	10,548,747	-	127,729,747
Equipment and furniture	3,934,785	210,643	63,052	4,082,376
Vehicles and motorized equipment	<u>5,747,239</u>	<u>389,511</u>	<u>184,320</u>	<u>5,952,430</u>
Total capital assets being depreciated	<u>152,509,309</u>	<u>13,908,832</u>	<u>247,372</u>	<u>166,170,769</u>
Less accumulated depreciation for:				
Buildings	5,675,630	892,755	-	6,568,385
Other improvements	40,064,175	4,327,254	-	44,391,429
Equipment and furniture	2,077,718	307,300	51,668	2,333,350
Vehicles and motorized equipment	<u>3,992,354</u>	<u>808,779</u>	<u>184,321</u>	<u>4,616,812</u>
Total accumulated depreciation	<u>51,809,877</u>	<u>\$ 6,336,088</u>	<u>\$ 235,989</u>	<u>57,909,976</u>
Total capital assets being depreciated, net	<u>100,699,432</u>			<u>108,260,793</u>
Governmental activity capital assets, net	<u>\$ 145,865,158</u>			<u>\$ 155,517,175</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 594,535
Public safety	688,525
Public works	4,090,134
Environmental protection	110,179
Cultural and recreational	<u>852,715</u>
Total	<u>\$ 6,336,088</u>

TOWN OF APEX, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

<b>Business activities:</b>	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water and Sewer Fund</b>				
Capital assets not being depreciated:				
Land	\$ 5,696,816	\$ 1,304,998	\$ -	\$ 7,001,814
Construction in progress	10,422,512	1,946,051	3,448,917	8,919,646
Total capital assets not being depreciated	<u>16,119,328</u>	<u>3,251,049</u>	<u>3,448,917</u>	<u>15,921,460</u>
Capital assets being depreciated:				
Utility improvements	90,896,325	6,852,999	-	97,749,324
Building and land improvements	147,935	-	-	147,935
Intangibles	3,490,000	-	-	3,490,000
Equipment and furniture	910,241	209,008	-	1,119,249
Vehicles and motorized equipment	817,049	442,878	-	1,259,927
Total capital assets being depreciated	<u>96,261,550</u>	<u>7,504,885</u>	<u>-</u>	<u>103,766,435</u>
Less accumulated depreciation for:				
Utility improvements	34,024,751	3,644,069	-	37,668,820
Building and land improvements	98,518	12,875	-	111,393
Intangibles	2,443,000	349,000	-	2,792,000
Equipment and furniture	469,189	92,535	-	561,724
Vehicles and motorized equipment	566,879	114,822	-	681,701
Total accumulated depreciation	<u>37,602,337</u>	<u>\$ 4,213,301</u>	<u>\$ -</u>	<u>41,815,638</u>
Total capital assets being depreciated, net	<u>58,659,213</u>			<u>61,950,797</u>
Water and sewer capital assets, net	<u>\$ 70,001,286</u>			<u>\$ 77,872,257</u>
<b>Electric Fund</b>				
Capital assets not being depreciated:				
Land	\$ 1,745,347	\$ 58,044	\$ -	\$ 1,803,391
Construction in progress	179,626	832,032	-	1,011,658
Total capital assets not being depreciated	<u>1,924,973</u>	<u>890,076</u>	<u>-</u>	<u>2,815,049</u>
Capital assets being depreciated:				
Utility improvements	31,404,862	892,011	-	32,296,873
Building and land improvements	207,759	-	-	207,759
Equipment and furniture	674,201	81,793	-	755,994
Vehicles and motorized equipment	1,348,829	28,183	11,429	1,365,583
Total capital assets being depreciated	<u>33,635,651</u>	<u>1,001,987</u>	<u>11,429</u>	<u>34,626,209</u>
Less accumulated depreciation for:				
Utility improvements	8,012,674	951,534	-	8,964,208
Building and land improvements	135,119	7,968	-	143,087
Equipment and furniture	372,125	47,778	-	419,903
Vehicles and motorized equipment	926,835	136,403	11,429	1,051,809
Total accumulated depreciation	<u>9,446,753</u>	<u>\$ 1,143,683</u>	<u>\$ 11,429</u>	<u>10,579,007</u>
Total capital assets being depreciated, net	<u>24,188,898</u>			<u>24,047,202</u>
Electric capital assets, net	<u>\$ 26,113,871</u>			<u>\$ 26,862,251</u>

TOWN OF APEX, NORTH CAROLINA  
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June 30, 2009

Construction Commitments

At June 30, 2009, the Town had contractual commitments as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
General Capital Project	\$ 6,270,799	\$ 3,908,756
Recreation Capital Project	2,809,036	165,874
Wastewater Treatment Plant Project	6,361,421	921,780
Water/Sewer Capital Project	2,558,223	1,433,360

Note 5 – PENSION PLAN OBLIGATIONS

(a) Local Government Employees’ Retirement System

1. Plan Description

The Town of Apex contributes 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 Employee’s Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.8% and 4.72%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Apex are established and may be amended by the North Carolina General Assembly. The Town’s contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were \$704,710, \$651,535 and \$580,235 respectively. The contributions made by the Town equaled the required contributions for each year.

(b) Law Enforcement Officers Special Separation Allowance

1. Plan Description

The Town of Apex administers a public employee retirement system (the “Separation Allowance”), a single-employer defined benefit pension plan that provides retirement benefits to the Town’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 Town’s financial statements as a pension trust fund. No separate report is issued.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

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All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	58
Total	60

2. Summary of Significant Accounting Policies

**Basis of Accounting:** The Town has chosen to fund the Separation Allowance. Pension expenditures are made from the General Fund, using the actuarial basis described in the following section. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** At June 30, 2009, \$406,414 of net assets (at cost and market) was available to pay pension obligations.

3. Contributions.

The Town is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 4.5% to 12.3% per year. The inflation component was 3.75%. The assumptions did not include post-retirement benefit increases.

**Annual Pension Cost and Net Pension Obligation.** The Town's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$	52,329
Interest on net pension obligation		(6,248)
Adjustment to annual required contribution		5,269
Annual pension cost		51,350
Contributions made		51,388
Increase (decrease) in net pension obligation		(38)
Net pension obligation – Beginning of year		(86,183)
Net pension obligation – End of year	\$	(86,221)

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$ 51,350	100.07%	\$ (86,221)
6/30/08	44,043	158.12%	(86,183)
6/30/07	60,457	115.78%	(60,584)

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

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4. Funded Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the plan was 65.71 percent funded. The actuarial accrued liability for benefits was \$647,962 and the unfunded actuarial accrued liability (UAAL) was \$222,211. The covered payroll (annual payroll of active employees covered by the plan) was \$3,086,922, and the ratio of the covered payroll was 7.2 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 for Law Enforcement Officers

1. Plan Description

The Town 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 Town. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy

Article 12E of G. S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2009 were \$209,815, which consisted of \$157,630 from the Town and \$52,185 from the law enforcement officers.

(d) Supplemental Retirement Income Plan for all Other Employees

All other employees of the Town (excludes Law Enforcement Officers) are members of the Town's 401(k) plan, a defined contribution pension plan as described above. Participation begins six months after the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Town contributes each month an amount equal to five percent of eligible employees' salary. Contributions for the year ended June 30, 2009 were \$847,655 which consisted of \$607,058 from the Town and \$240,597 from employees.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

(e) Other Post Employment Benefit

***Healthcare Benefits***

1. Plan Description

Under a Town resolution, approved July 1, 2008, the Town provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the Town who participate in the North Carolina Local Government Employees' Retirement System (System) and have met certain service requirements with the Town. Employees who have 25 or more years of continuous creditable service with the Town at the time of their retirement will receive full benefits; those with 20-24 years of continuous creditable service with the Town will receive 75% of the benefits. Employees who have 15-19 years of service at retirement will receive 50% of the benefits. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	11	3
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	235	56
Total	246	59

2. Funding Policy

The Board of Commissioners established the contribution requirements of plan members and this may be amended by the Board. The Town's members pay \$402 per month for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 6.68% of annual covered payroll. For the current year, the Town contributed \$41,432 or .28% of annual covered payroll. The Town is self-insured for healthcare coverage with reinsurance for major claims. The Town's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented .18% and .10% of covered payroll, respectively. Contributions made by employees totaled \$6,022, which includes dependent coverage as well as amounts required as per plan service requirements. The Town's obligation to contribute to the HCB Plan is established and may be amended by the Board of Commissioners.

3. Summary of Significant Accounting Policies

Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation

The Town'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 costs 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 Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

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Annual required contribution	\$	985,699
Interest on OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		985,699
Contributions made		41,432
Increase in net OPEB obligation		944,267
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	\$	944,267

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2009 were as follows:

For Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 985,699	4.2%	\$ 944,267

#### 2. Funded Status and Funding Progress

As of December 31, 2008, 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 \$7,320,657. The covered payroll (annual payroll of active employees covered by the plan) was \$14,757,992 and the ratio of the UAAL to the covered payroll was 49.6%. 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 the 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 the financial reporting purposes are based 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 that 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, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns 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 10.5 to 5.0 percent annually. The investment rate included a 3.75% inflation assumption. The actuarial value, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period of December 31, 2008 was 30 years.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

(f) Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Trust Plan for Members of the Local Governmental Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost sharing plan funded on a one year-term cost basis. Employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Trust Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Trust Plan and not by the Town, the Town does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the Town made contributions to the State for death benefits of \$12,387. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07% and .14% of covered payroll, respectively. The contributions to the Death Trust Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Note 6 – DEFERRED REVENUES

As discussed previously in the Summary of Significant Accounting Policies, ad valorem taxes receivable are not accrued as revenue because they are not considered to be both "measurable and available." Property taxes that are measurable but not available are initially recorded as deferred revenues. The balance in deferred revenues at year end is composed of the following elements:

	Deferred Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned	\$ -	\$ 68,467	\$ 68,467
Taxes receivable	236,816	-	236,816
Vehicle licenses receivable	52,055	-	52,055
Sanitation receivables	194,673	-	194,673
Total	\$ 483,544	\$ 68,467	\$ 552,011

Note 7 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Town is a participant in several insurance pools administered by the North Carolina League of Municipalities. These pools are self-sustaining through member premiums and provide the following types of major coverage: general liability, property and worker's compensation. For each of these types of coverage, the pools have reinsured through commercial companies for claims in excess of the amounts covered through the pool. The Town retains a portion of the risk through deductibles up to \$10,000. Settled claims resulting from these risks have not exceeded coverage in any of the past three years. The Town does not carry flood insurance because flood plain maps show insignificant property values within flood plains.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

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The Town, effective July 1, 2008, established an internal service fund for the purpose of providing a limited risk management program for health and dental claims. Premiums are paid into the internal service fund by the general and proprietary funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums and amounts contributed by employees are used to reduce the amount of claims expenditure reported in the general and proprietary funds. Additionally employees and certain retirees may contribute amounts for dependent coverage. As of June 30, 2009, interfund premiums and employee contributions exceeded reimbursable expenditures.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. An excess coverage insurance policy covers individual claims in excess of \$50,000. Settlements have not exceeded coverage for the past fiscal year.

Changes in the balances of claims liabilities during the past year is as follows:

	Year ended June 30, 2009
Unpaid claims, beginning of fiscal year	\$ -
Incurred claims (including IBNRs)	2,071,080
Claim payments	1,744,467
Unpaid claims, end of fiscal year	\$ 326,613

**Note 8 – CLAIMS, JUDGEMENTS AND CONTINGENT LIABILITIES**

At June 30, 2009, the Town was a defendant to various lawsuits. In the opinion of the Town’s management and the Town’s attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town’s financial position.

**Note 9 – LONG-TERM DEBT**

**(a) General Obligation Bonds**

The Town’s general obligation bonds serviced by the governmental funds were issued for the acquisition of parks and recreation facilities and construction of streets and sidewalks. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer systems and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2009 are comprised of the following individual issues:

***Serviced by the General Fund:***

\$3,000,000 April 1, 1997 Parks and Recreational Facility serial bonds, due in annual installments of \$150,000 through April 1, 2017, interest at 5.36%.	\$ 1,200,000
\$500,000 December 1, 1999 Parks and Recreational Facility serial bonds, due in annual installments of \$25,000 through June 1, 2018, interest at 5.3%.	275,000

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

\$3,000,000 December 1, 1999 Parks and Recreational Facility serial Bonds, due in annual installments of \$175,000 through June 1, 2018, interest at varying rates from 4.9-5.3%.	1,425,000
\$7,500,000 July 1, 2005 Public Improvement serial bonds, due in annual installments of varying amounts from \$325,000 to \$500,000 through February 1, 2025, interest at varying rates from 3.5-5.5%.	6,525,000
\$2,500,000 June 24, 2008 Parks and Recreational Facility serial bonds, due in annual installments of \$125,000 through June 1, 2028, interest at varying rates from 3.0-4.3%.	2,375,000
\$2,970,000 June 25, 2009 General Refunding serial bonds, due in annual installments of varying amounts from \$85,000 to \$405,000 through June 1, 2018, interest at varying rates from 2.0-3.0%.	2,970,000
\$6,500,000 June 25, 2009 Street and Sidewalk Improvements serial bonds, due in annual installments of varying amounts from \$305,000 to \$330,000 through June 1, 2029, interest at varying rates from 3.0-4.125%.	6,500,000

***Serviced by the Water and Sewer Fund:***

\$5,105,000 June 1, 2003 Water and Sewer Refunding bonds due in annual installments of varying amounts from \$30,000-\$735,000 through February 1, 2012, interest at varying rates from 2.0-3.0%.	1,175,000
	\$ 22,445,000

At June 30, 2009, the Town of Apex had bonds authorized but unissued of \$41,000,000 and a legal debt margin of \$322,337,082.

Annual debt service requirements to maturity for general obligation bonds at June 30, 2009 are as follows:

Year Ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 4,060,000	\$ 644,170	\$ 585,000	\$ 29,525
2011	1,165,000	596,494	560,000	14,900
2012	1,150,000	563,144	30,000	900
2013	1,140,000	530,094	-	-
2014	1,130,000	495,444	-	-
2015-2019	5,250,000	1,947,699	-	-
2020-2024	4,750,000	1,081,938	-	-
2025-2029	2,625,000	271,456	-	-
Total	\$ 21,270,000	\$ 6,130,439	\$ 1,175,000	\$ 45,325

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

(b) Installment Notes

The Town's installment notes outstanding at June 30, 2009 are as follows:

***Serviced by the General Fund:***

\$80,000 installment obligation to North Carolina Canine Emergency Response Team ("NCCERT") due in annual installments of \$20,000 through 2010 with no interest. \$ 20,000

\$9,100,000 installment obligation to Suntrust Equipment Finance and Leasing due in annual installments of \$455,000 through 2028 plus interest of 4.57%. 8,645,000

***Serviced by the Water and Sewer Fund:***

\$1,159,825 installment obligation to the Town of Cary for the Regional Wastewater Treatment Plant due in annual installments of \$57,991 through 2027 plus interest of 2.205%, secured by land. 1,038,605  
\$ 9,703,605

Annual debt service requirements to maturity for installment notes at June 30, 2009 are as follows:

Year Ending June 30:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2010	\$ 475,000	\$ 395,077	\$ 57,700	\$ 22,901
2011	455,000	374,283	57,700	21,629
2012	455,000	353,490	57,701	20,357
2013	455,000	332,696	57,700	19,084
2014	455,000	311,903	57,700	17,812
2015-2019	2,275,000	1,247,610	288,501	69,976
2020-2024	2,275,000	727,772	288,502	38,168
2025-2028	1,820,000	207,934	173,101	7,634
Total	<u>\$ 8,665,000</u>	<u>\$ 3,950,765</u>	<u>\$ 1,038,605</u>	<u>\$ 217,561</u>

(c) Advance Refunding

On June 25, 2009, the Town issued Refunding Bonds, Series 2009 in the amount of \$2,970,000 to advance refund \$1,200,000 of Parks and Recreational Facilities Series 1997, \$275,000 of Parks and Recreational Facilities Series 1999A and \$1,425,000 of Parks and Recreational Facilities Series 1999B. The proceeds of the new bonds were placed in an irrevocable trust escrow account on June 25, 2009 to provide for payment of the principal, redemption premium and interest on the Refunded Bonds which were redeemed on July 27, 2009. At June 30, 2009, the old bonds were not defeased and accordingly, are included as outstanding debt of the Town. Bond principal of the old bonds in the amount of \$2,900,000 is included as current as they were redeemed July 27, 2009. The related irrevocable trust escrow account created from the June 25, 2009 bond sale is included as restricted cash of the Town at year end.

(d) Revenue Bond

\$7,300,000 Electric Revenue Bond, Series 2009, issued for electrical system improvements, due in annual installments of varying amounts from \$375,000 to \$617,000 through 2024, interest at 3.62%. \$ 7,300,000

TOWN OF APEX, NORTH CAROLINA  
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The Bond Order requires a debt service ratio to be no less than 120%. There is no debt service compliance calculation for the year ended June 30, 2009 because there has been no debt service through year end.

Annual debt service requirements to maturity for general obligation bonds at June 30, 2009 are as follows:

Year Ending June 30:	Principal	Interest
2010	\$ 375,000	\$ 264,260
2011	389,000	250,685
2012	403,000	236,603
2013	417,000	222,015
2014	432,000	206,919
2015-2019	2,407,000	788,291
2020-2024	2,877,000	319,825
Total	<u>\$ 7,300,000</u>	<u>\$ 2,288,598</u>

(c) Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 12,600,000	\$ 9,470,000	\$ 800,000	\$ 21,270,000	\$ 4,060,000
Less deferred amounts for issuance charges	(72,200)	(87,433)	(3,800)	(155,833)	(7,309)
Total bonds payable	12,527,800	9,382,567	796,200	21,114,167	4,052,691
Installment notes	40,000	9,100,000	475,000	8,665,000	475,000
Compensated absences	661,351	611,041	420,039	852,353	787,513
Other post employment benefit	-	591,419	41,432	549,987	-
Governmental activity long-term liabilities	<u>\$ 13,229,151</u>	<u>\$ 19,685,027</u>	<u>\$ 1,732,671</u>	<u>\$ 31,181,507</u>	<u>\$ 5,315,204</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,790,000	\$ -	\$ 615,000	\$ 1,175,000	\$ 585,000
Less deferred amounts for issuance charges	(18,519)	(108,313)	(10,510)	(116,322)	(12,638)
Total bonds payable	1,771,481	(108,313)	604,490	1,058,678	572,362
Revenue bond	-	7,300,000	-	7,300,000	375,000
Installment notes	1,096,305	-	57,700	1,038,605	57,700
Compensated absences	198,683	166,248	118,983	245,948	204,822
Other post employment benefit	-	394,280	-	394,280	-
Business-type activity long-term liabilities	<u>\$ 3,066,469</u>	<u>\$ 7,752,215</u>	<u>\$ 781,173</u>	<u>\$ 10,037,511</u>	<u>\$ 1,209,884</u>

Compensated absences for governmental activities typically have been liquidated in the General Fund.

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 12 – INTERFUND TRANSFERS

A summary of interfund transfers follows:

From Fund	To Fund	Amount	Purpose
General Capital Projects Fund	General Fund	\$ 250,000	Reduce original transfer
Recreation Reserve Fund	Recreation Capital Project Fund	129,706	Fund capital project budget
		<u>\$ 379,706</u>	

Note 13 – JOINTLY GOVERNED ORGANIZATION

The Town is a member of the North Carolina Eastern Municipal Power Agency (the “Agency”). The Agency was formed to enable municipalities that own electric distribution system to finance, construct, own, operate, and maintain generation and transmission facilities through the Agency. The Town receives power from the Agency and is contractually allocated a .7056% interest in the Agency, with the balance being shared by the thirty-two (32) other local governments. Each participating government appoints one commissioner to the Agency’s governing board. The Town is obligated to purchase all of its power supply requirements from the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town’s gross purchases of power for the fiscal year ended June 30, 2009 were \$20,026,320.

Note 14 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town 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 of grant monies by the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

Note 15 – JOINTLY OWNED FACILITIES

The Towns of Apex and Cary jointly own and operate a water treatment plant. An advisory committee, consisting of the Mayors of Apex and Cary and the Town Managers of Apex and Cary, advise the Operating Agency on all policy matters and select the independent consultants for the project. The Town of Cary is the Operating Agency and operates the plant, hires employees, accounts for revenues and expenditures, and provides all administrative and executive management of the plant. The water treatment plant is not a separate legal entity and does not prepare separate financial statements. The Town’s share of capital costs of the plant and its operating expenses are included in the Town of Apex’s reporting entity.

All costs associated with the construction and improvements to the plant are allocated to each party based on its share of the water treatment capacity of the plant. The Towns of Apex and Cary have a 23% and 77% share of the facility’s capacity, respectively. Both parties make payments sufficient to amortize their share of the capital costs regardless of the amount of water actually used. Both parties meet their share of all other costs in proportion to their actual use of water from the facility. The Town has financed its interest in the joint operation with long-term debt.

The Towns of Apex and Cary are jointly constructing a wastewater treatment plant. The Town of Apex will own approximately 30% of the plant. The plant has a total budgeted cost of \$230,000,000 and the Town of

TOWN OF APEX, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS

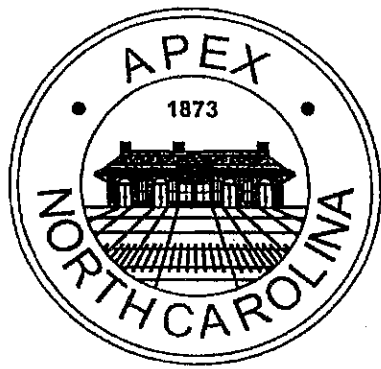
June 30, 2009

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Apex's portion of this is \$69,000,000 with an anticipated completion date of 2012. At June 30, 2009, total construction costs to date were \$6,361,421.

Note 16 – SUBSEQUENT EVENTS

On July 27, 2009, the Town redeemed \$1,200,000 of Parks and Recreational Facilities Series 1997, \$275,000 of Parks and Recreational Facilities Series 1999A and \$1,425,000 of Parks and Recreational Facilities Series 1999B with Refunding bonds, Series 2009 which were sold June 25, 2009.



**TOWN OF APEX, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 45,572	113.6%
2005	44,702	132.0%
2006	49,955	128.2%
2007	61,152	114.5%
2008	44,712	155.8%
2009	52,329	102.8%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part actuarial valuation follows:

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5-12.3%
Includes inflation at	3.75%
Cost-of living adjustments	N/A

**TOWN OF APEX, NORTH CAROLINA  
LAW ENFORCEMENT OFFICER'S SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
2003	\$ 243,006	\$ 538,078	\$ 295,072	45.16%	\$ 1,601,448	18.43%
2004	275,334	603,572	328,238	45.62%	1,770,247	18.54%
2005	308,093	814,701	506,608	37.82%	2,275,654	22.26%
2006	352,927	544,403	191,476	64.83%	2,525,023	7.58%
2007	402,508	618,593	216,085	65.07%	2,878,585	7.51%
2008	425,751	647,962	222,211	65.71%	3,086,922	7.20%

**TOWN OF APEX, NORTH CAROLINA  
RETIREMENT HEALTH CARE PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 985,699	4.20%

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Notes to the Required Schedules:

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

Valuation date	December 31, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value

Actuarial assumptions:

Investment rate of return	4.00%
Medical cost trend rate	10.5 - 5.0%
Includes inflation at	3.75%
Cost-of-living adjustments	N/A

**TOWN OF APEX, NORTH CAROLINA  
RETIREMENT HEALTH CARE PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actual Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2008	-	\$ 7,320,657	\$ 7,320,657	0.00%	\$14,757,992	49.60%

Note: Fiscal year ending June 30, 2009 was the first year that the Town recognized this liability under GASB 45.

