

## Summary Information

### Summary of Changes to Recommended Budget:

As is required by state law, the County Manager develops a “recommended” budget that is presented to County Commissioners in early May. Commissioners hold public hearings and work sessions to review the recommended budget in depth. Normally, Commissioners make changes to the recommended budget before the final budget is approved. Overall, Commissioners increased the General Fund by \$133,856. This amount is offset by appropriating fund balance. (Note that the county still meets its fund balance policy of not appropriating funds for operating. The amount of fund balance that could be appropriated for one-time items is \$134,281.)

Commissioners also allocated an additional \$8,000 to Family Violence & Rape Crisis and \$2,000 to CORA from \$10,000 set aside for Commissioners to allocate directly.

The adjustments to the FY 2013 Recommended Budget are as follows:

#### **Revenues:**

Additional fund balance appropriation	133,856.00
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#### **Expenditures:**

Increase supplement by 2% for teachers and teacher assistants	66,433.00
Increase technology allowance for governing board	9,000.00
Restore Economic Development Corporation cut (\$10K for marketing is one time)	28,500.00
4H assistant position in Cooperative Extension	35,100.00
Take out time increase for community development position; reduce salary to hiring rate, eliminate operating budget	(30,724.00)
Chatham Transit driver salary increase	25,547.00
<b>Total</b>	<b>133,856.00</b>

### History & Demographics

Founded in 1771 and located in the geographic center of North Carolina, Chatham County encompasses an area of more than 707 square miles and is known as the "The Heart of North Carolina." The county is situated between two of the state’s three largest centers of population and commerce, the Triangle Region and the Piedmont Triad.

Chatham County’s population and economic base have changed substantially during its history. The county has experienced a dramatic increase in population due to residential

growth in the eastern part of the county near Chapel Hill, Durham, and Cary. The county has seen a major surge in Hispanic/Latino residents in the western part of the county, increasing from 564 residents to 8,228 between 1990 and 2010.

The Census estimates the 2011 population at 64,195, an increase of 0.61% since 2010. Chatham’s population growth was somewhat less than that of surrounding counties, such as Lee (1.53%), Moore (1.25%) and Orange (1.46%).

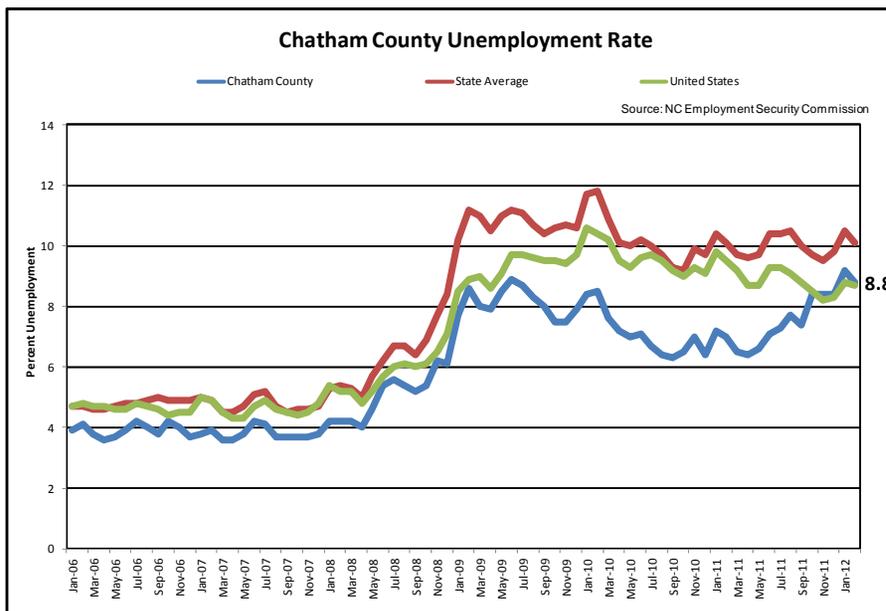
Only 21% of county residents live in incorporated towns. The county has about 93 residents per square mile, which reflects its generally rural nature. The incorporated towns in the county have an estimated 2010 population as follows:

- Siler City: 7,887
- Pittsboro: 3,743

- Goldston: 268
- Cary: 1,422 (with a total population of 135,234, the largest share of Cary's population is in Wake County)

**Ethnic/Racial Diversity:** The overall racial/ethnic composition of Chatham County is 71% white, 13% African American, 13% Hispanic, 2% Asian, and other races 1%.

**Economic Assumptions:**



Experts agree that the economy has started a slow recovery from the Great Recession. Most indicators, including personal income and retail sales, have started to increase after substantial declines. Even with these positive signs, experts expect local revenues to recover more slowly. Locally, signs are conflicting and show we are also in for a slow recovery.

**Unemployment:** Because of our proximity to stable employment centers such as the universities and Research Triangle Park, the county's unemployment rate trends well below the state, and until recently, the nation. Since the October 2011 closing of Townsends, the county's largest private employer, the unemployment rate has been about the national average. Wal-Mart, expected to open in the next year or two, is projected to add 300 jobs.

**Property Tax Base:** After years of robust growth in non-motor vehicle property values, exceeding 5% annually, values are expected to grow just 1.7% in FY 2013. Much of the increase comes from residential developments Briar Chapel and Amberly, and commercial development, including large expansion of two retirement communities.

Motor vehicle values have made a strong comeback. Values are up more than 6% over FY 2011.

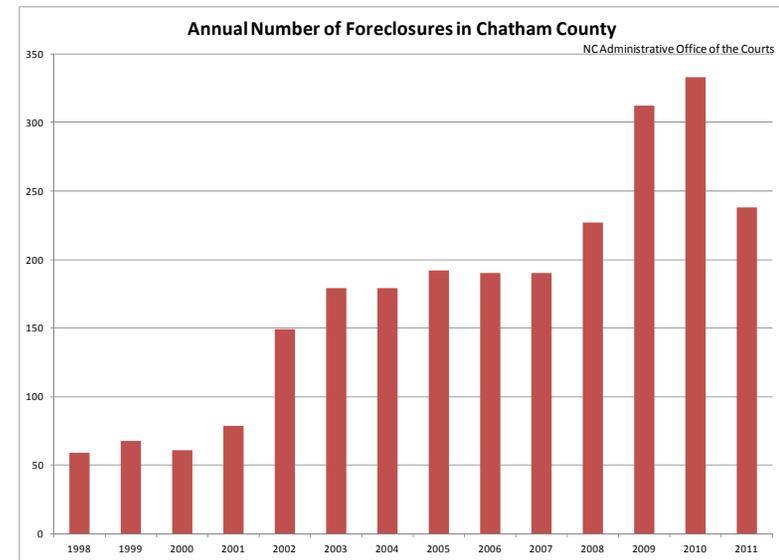
The state's measure of tax value to market value, the sales assessment ratio, shows that county property is overvalued by an average of 5%.

**Foreclosures:** The number of foreclosures in the county had jumped significantly in the past two years, but dropped in 2011, as shown in the chart below.

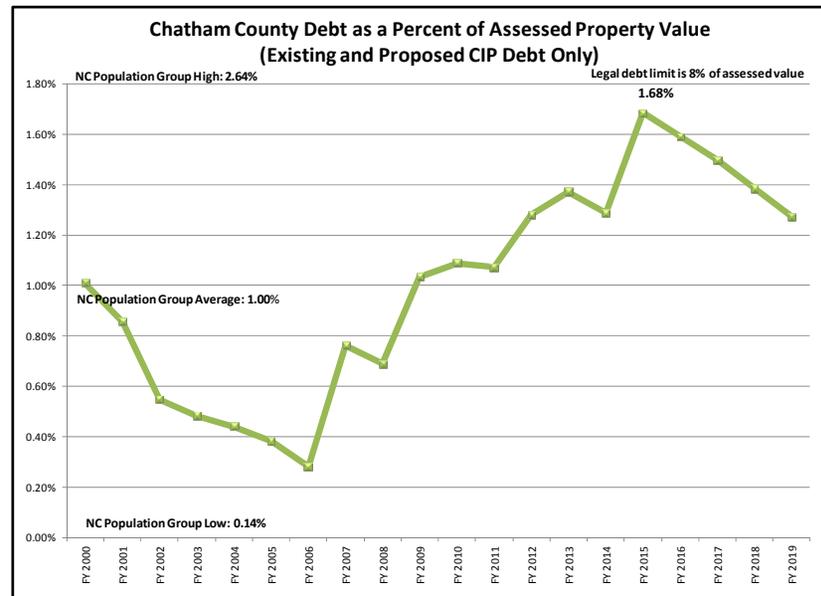
**Retail Sales:** In FY 2011, Chatham County experienced a 7% increase in locally collected sales tax, compared with a 4% statewide increase. In FY 2012 this trend is reversed: the county's sales tax receipts are 1% above FY 2011, compared with statewide collections that are 6% higher. This lower-than-state average growth may be the result of the Townsend closing and subsequent layoffs.

**Building Permits:** The number of residential building permits issued countywide is on track to beat FY 2011 by 8%.

**State Budget:** As is usually the case, the state's budget crisis has translated into adverse action against counties. The impact on the school system has been significant, but so far those actions have not had a major impact on county revenues.



## Debt



### Debt Policies:

The NC Local Government Commission (LGC) closely monitors and regulates debt in North Carolina. Chatham County's debt policies, which are based on the LGC's requirements, are as follows (excerpted from the county's Financial and Budgetary Policies):

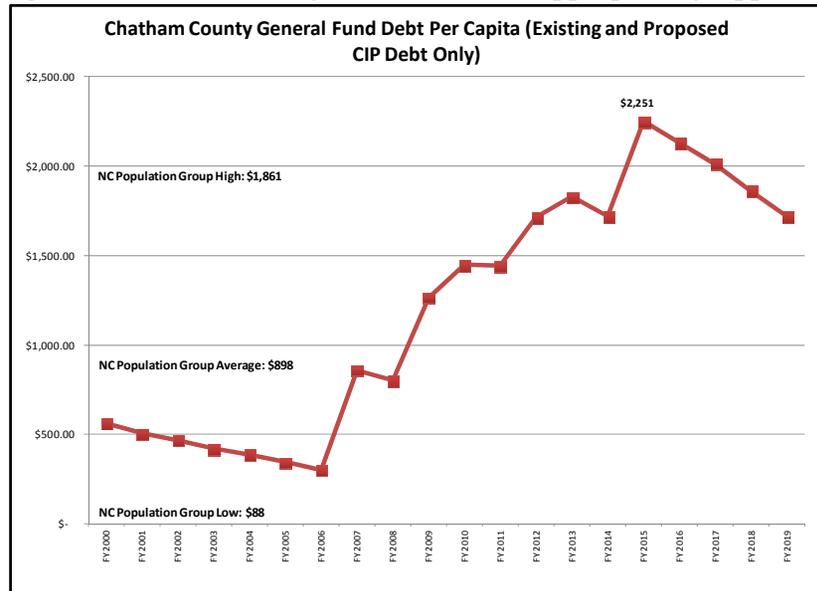
**Objective:** The County will manage its debt obligations to meet demands for capital facilities while striving to maintain or improve the County's current bond rating.

**Types of debt:** The types of debt available to North Carolina county governments include general obligation (GO) bonds, certificates of participation (COPs), installment purchase, other leases, revenue bonds, and proceeds from the refunding of general obligation bonds. In general, the county will select the appropriate type of debt given financial circumstances and feasibility.

**When debt is appropriate:** Debt is an important tool for financing capital facilities. Over-reliance on debt, however, is negatively perceived by bond rating agencies. The county should exhaust all possible resources, such as grants and pay-as-you-go funding, before borrowing funds. Debt should only be used for the construction of capital facilities and the purchase of capital assets. In general, the assets should not be recurring capital replacements, such as vehicles. If terms are favorable, however, the county may elect to use debt in this manner. Debt should never be issued to meet recurring operating expenses.

**Terms:** The term of the debt service payments shall not exceed the useful life of the asset purchased through debt

**Debt limitation:** Debt issuance guidelines and formulas established by the Local Government Commission and rating agencies will be closely monitored and appropriately applied.



North Carolina state law permits local governments to issue debt up to eight percent of the total assessed valuation.

**Relationship to operating and capital budgets:** Debt for items meeting the requirements of a capital project shall be requested through the capital improvements program (CIP) process. Other debt requests shall be made through the annual budget process. The annual budget will include sufficient funding to meet the County’s debt service obligations.

**Debt Summary:**

Chatham County holds GO bonds ratings of Aa2 from Moody's Investor Services and AA+ from Standard and Poors. Positive indicators cited by the rating agencies include stable growth in the property tax base, a strong financial position, and a history of strong financial management. Of the surrounding counties, Alamance and Orange share the same rating but have considerably larger tax bases. Chatham shares the highest bond rating with Brunswick County in the 50,000 to 99,999 population group.

In the general fund, debt service payments on GO bonds for schools constitute 23% of debt service. COPs comprise 21% and installment debt makes up 56%. In the water fund, debt service payments on installment purchases constitute 35% and limited obligation bonds make up 65%. In the Southeast Water District, debt service payments on GO bonds constitute 65% and revenue bonds make up 35%.

**Debt Indicators:**

**Legal Debt Margin:** The county is subject to the Local Government Bond Act of North Carolina, which limits the amount of debt to 8% of the appraised value of taxable property.

**Legal Debt Margin Calculation:**

Total assessed value	\$8,693,575,000
Debt Limit, 8% of total assessed value NCGS 159-55(c)	\$695,486,000
Gross Debt:	\$119,616,000
Less debt for water purposes	-\$23,403,000
Total net debt applicable to limit	\$96,214,000
Legal Debt Margin	\$599,272,000
Debt Percentage of Assessed Value	1.1%

**Debt as a percent of assessed value:** Currently, the county's debt as a percent of assessed value is 1.1%, about the average for counties our size. With the additional borrowings scheduled with the 2013-2019 CIP, the county's debt as a percent of assessed value reaches a projected high of 1.68% in FY 2015. The county's indicator is projected to stay well below the highest county in FY 2011 (2.64%) in its population group (50,000 to 99,999) and well below the 8% legal maximum.

**Debt per capita:** Currently, the county's per capita debt is \$1,713, which is above the average for counties our size. With the additional borrowings scheduled with the 2013-2019 CIP, the county's per capita value reaches a projected high of \$2,251

in FY 2015. The county's indicator is projected to exceed the highest county in FY 2011 in its population group (\$1,861).

**Debt as a percent of the operating budget:** Staff projects that, depending on decisions made in the operating budget, debt service may exceed the 15% maximum recommended by the Local Government Commission (LGC). The current model shows debt service of just under 15%. While this is an issue, the county differs from other counties in that funds for debt service have been set aside in a reserve account. Therefore, increases in debt service do not decrease Chatham County's flexibility to manage the operating budget, the primary concern of the LGC maximum.

**General Fund Outstanding Debt and Debt Service**

Series	Issue Year	Amount Issued	Principal Balance 6/30/12	Retiring FY 13	Principal Balance 6/30/13	Interest Expense in FY 13	Debt Service in FY 13
<b>Certificates of Participation</b>							
Business Campus Improvements	2006	7,079,000	6,919,000	40,000	6,879,000	323,483	363,483
Social Services Addition & Renovation	2006	5,663,200	5,535,200	32,000	5,503,200	258,786	290,786
Jordan-Matthews HS Cafeteria & Virginia Cross	2006	22,652,800	22,140,800	128,000	22,012,800	1,035,144	1,163,144
<b>Total Certificates of Participation</b>		<b>35,395,000</b>	<b>34,595,000</b>	<b>200,000</b>	<b>34,395,000</b>	<b>1,617,413</b>	<b>1,817,413</b>

Series	Issue Year	Amount Issued	Principal Balance 6/30/12	Retiring FY 13	Principal Balance 6/30/13	Interest Expense in FY 13	Debt Service in FY 13
<b>General Obligation Bonds</b>							
Refunding Series 2004	2004	10,305,000	6,385,000	1,750,000	4,635,000	225,075	1,975,075
<b>Loans &amp; Installment Purchases</b>							
Community college--Siler City Campus	2009	4,391,778	4,069,800	321,978	3,747,822	183,218	505,196
Community college--Sustainable Tech. Building	2009	6,014,727	5,573,765	440,962	5,132,803	250,925	691,888
Chatham Community Library	2009	6,643,495	6,156,435	487,060	5,669,376	277,156	764,216
Performance Building Purchase and Renovations	2008	3,764,175	3,011,119	163,147	2,847,972	116,289	279,436
Northwood HS Renovations	2008	4,231,324	3,384,137	183,540	3,200,597	130,824	314,364
Margaret Pollard Middle	2009	21,017,352	17,864,749	1,050,868	16,813,882	712,804	1,763,671
QSCB--School Restrooms	2010	1,914,431	1,786,802	127,629	1,659,174	13,267	140,896
QSCB--School Roofs	2010	1,760,732	1,643,350	117,382	1,525,968	12,202	129,584
QSCBs--School Auditoriums	2010	720,966	672,902	48,064	624,837	4,996	53,061
QZAB - Moncure School	2002	399,005	85,930	30,693	55,238	-	30,693
Schools Misc. (roofs, gyms, restrooms)	2009	2,982,648	2,535,251	149,132	2,386,118	101,156	250,289
<b>Total Loans &amp; Installment Purchases</b>		<b>53,840,633</b>	<b>46,784,240</b>	<b>3,120,455</b>	<b>43,663,785</b>	<b>1,802,838</b>	<b>4,923,293</b>
<b>All General Fund Debt</b>		<b>99,540,633</b>	<b>87,764,240</b>	<b>5,070,455</b>	<b>82,693,785</b>	<b>3,645,326</b>	<b>8,715,781</b>

**Water Fund Outstanding Debt and Debt Service**

Series	Issue Year	Amount Issued	Principal Balance 6/30/12	Retiring FY 13	Principal Balance 6/30/13	Interest Expense in FY 13	Debt Service in FY 13
<b>Limited Obligation Bonds</b>							
Western Transmission Line (Refunded)	2012	12,077,502	11,492,744	623,313.00	10,869,431	444,287	1,067,600
<b>Loans &amp; Installment Purchases</b>							
North Chatham Distribution Lines	1999	1,700,000	283,334	113,333	170,000	12,234	125,568
Southwest Chatham	2000	355,645	142,258	17,782	124,476	3,628	21,410
Asbury	2004	151,580	89,164	8,916	80,248	2,497	11,413

Series	Issue Year	Amount Issued	Principal Balance 6/30/12	Retiring FY 13	Principal Balance 6/30/13	Interest Expense in FY 13	Debt Service in FY 13
Group B projects	2006	6,050,967	4,235,677	302,548	3,933,129	97,632	400,181
Group B projects	2006	178,268	124,788	8,913	115,874	2,876	11,790
<b>Total Loans &amp; Installment Purchases</b>		<b>8,436,460</b>	<b>4,875,221</b>	<b>451,494</b>	<b>4,423,727</b>	<b>118,867</b>	<b>570,361</b>
<b>All Water Fund Debt</b>		<b>20,513,962</b>	<b>16,367,965</b>	<b>1,074,807</b>	<b>15,293,158</b>	<b>563,155</b>	<b>1,637,961</b>

**Southeast Water District Fund Outstanding Debt and Debt Service**

Series	Issue Year	Amount Issued	Principal Balance 6/30/12	Retiring FY 13	Principal Balance 6/30/13	Interest Expense in FY 13	Debt Service in FY 13
<b>GO Bonds</b>							
Distribution Lines	2010	3,200,000	3,162,000.00	39,000.00	3,123,000	126,480	165,480
<b>Revenue Bonds</b>							
Distribution Lines (Series A)	2010	262,000	259,000.00	3,000.00	256,000	10,360	13,360
Distribution Lines (Series B)	2010	1,624,000	1,602,000.00	23,000.00	1,579,000	52,065	75,065
<b>Total Revenue Bonds</b>		<b>1,886,000</b>	<b>1,861,000</b>	<b>26,000</b>	<b>1,835,000</b>	<b>62,425</b>	<b>88,425</b>
<b>All Southeast Water District Debt</b>		<b>5,086,000</b>	<b>5,023,000</b>	<b>65,000</b>	<b>4,958,000</b>	<b>188,905</b>	<b>253,905</b>

**Other debt:** The county obtained interim financing through installment debt for the Justice Center, to date \$14.8 million. An interest payment of \$122,344 is budgeted in FY 2013, but is being paid from the capital project. Once the project is complete, the county will obtain \$25 million in GO bond financing from USDA, projected for September, 2012.

Using Certificates of Participation or installment debt, the county plans to borrow \$15 million for a jail in 2012 (FY 13) and \$44.5 million for a new high school in 2015.

**Debt Reserve:** Realizing that substantial capital improvements were needed and that the county needed a stable source of revenue to pay debt service without large fluctuations

in the property tax rate, the county worked with Doug Carter and Associates to develop a comprehensive debt model. The model provides that 5.5 cents of the property tax rate, school impact fees paid on all new houses, lottery proceeds, and the equivalent of the retired debt be transferred into a reserve. Each year, funds are transferred from the reserve to pay debt service on projects included in the model (all general fund debt except GO bonds, QSCBs, and QZABs). The model has been in place since FY 2006.

**Debt-model Assumptions:**

- A total of 5.5 cents on property tax rate dedicated annually. This was increased from 5 to 5.5 cents in FY 2013 to reflect the addition of the jail and the postponement of the high school by one year.

- 2% annual growth in property tax revenues/base (growth since the last revaluation has averaged 1.5%)
- 2% annual growth in lottery proceeds
- No growth in impact fees for FY 2013; 2% growth from FY 2014 to FY 2022

**Fund Descriptions and Structure:**

The county's accounts are structured by fund. Each fund is a separate accounting entity with a separate set of self-balancing accounts reflecting assets, liabilities, fund balance, revenues and expenditures. Funds are created to capture the varied activities of the county and to comply with legal requirements. Chatham County has three fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds**

Government Funds account for resources other than those accounted for in proprietary or fiduciary funds. Most of Chatham County's functions are included in this fund type.

In accordance with North Carolina General Statutes, the basis of accounting and budgeting governmental funds is modified accrual. This means revenues are recorded in the period in which they are measurable and available. Revenues are recognized when they are received in cash (example: licenses, fines, etc.) or when the collection of the amount estimated to be received in the near future (example: property taxes). Expenditures in a modified accrual basis are generally recognized in the period goods and services are received or liabilities incurred. This type of accounting is considered the most conservative, because expenditures are recorded as soon as the liability is incurred and most revenues are not recorded until they are received in cash.

The county's governmental funds include:

- **The General Fund** is the primary operating fund for the county. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund and includes typical governmental activities, such as human services, public safety, and education. Major revenues that support these functions include property tax and sales tax. The majority of departments are funded through the General Fund, with the exception of Utilities and Waste Management, which are funded through the Water Fund and the Solid Waste & Recycling Fund, which are proprietary funds.
- **Facility Reserve/Capital Improvement Reserve Fund:** The County transfers annually an amount equivalent to five and one-half cents on the tax rate into this fund. The transfer is used to fund debt for a variety of general capital projects, including a library, Central Carolina Community College facilities, an addition to the Department of Social Services, and a judicial facility.
- **Impact Fees Fund** accounts for an additional fee charged on all building permits issued for the construction of new dwellings. Impact fees collected are to be used to offset a portion of the cost of new school construction or debt.

- **Non-major Special Revenue Funds** account for the proceeds of specific revenue that are legally restricted to expenditures for specific purposes, including Bynum Canoe Access, Courthouse Clock, Enhanced 911, Forfeited Property, and Recreation Fees.
- **Capital Project Funds** account for the acquisition and construction of capital and capital facilities, other than those financed by proprietary and trust funds. Except for non-major capital project funds, capital projects are not included in the operating budget. Non-major capital project funds include the Equipment Capital Reserve and the Emergency Vehicle Replacement Reserve.

### **Proprietary Funds**

These funds account for operations that are similar to the private sector, including enterprise, internal service, and capital reserve funds. Proprietary funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types – enterprise and internal service.

The basis of accounting and budgeting proprietary funds is accrual. This means revenues are recorded in the period in which they are earned or realized. Expenditures in an accrual basis are generally recognized in the period goods or services are received or liabilities incurred.

Enterprise funds are intended to be self-supporting through user charges, and include:

- **Solid Waste & Recycling** accounts for the operations of the County’s collection and disposal of solid waste.
- **Southeast Water District** accounts for the operations of the water district covering the southeastern portion of the County.
- **Water Fund** accounts for the County’s water and sewer operations.
- **Capital Reserve Funds** that support the enterprise funds include the Utility Capital Reserve, the Utility Vehicle Reserve, and the Waste Management Capital Reserve.

Internal Service Funds report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The county's budget includes one internal service fund, the Health Internal Service Fund . This fund tracks premiums paid by the county on behalf of its employees for workers compensation and health insurance coverage. The funds also tracks health premiums paid by employees for dependant coverage.

### **Fiduciary Funds**

Fiduciary funds report assets held in a trustee or agency capacity for others which cannot be used to support the government’s own programs, including pension trust funds and agency funds. Chatham County's operating budget includes one fiduciary fund, the Law Enforcement Pension Trust.

## Changes in Fund Balances

In North Carolina local governments are required to define fund balance according to state law GS159-8. Fund balance in governmental funds is defined as revenues over expenditures which have accumulated over time. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next proceeding the budget year. In North Carolina, the LGC strongly encourages jurisdictions to

maintain a minimum of 8% of expenditures as available fund balance, or approximately one month's worth of expenditures. In practicality, most jurisdictions maintain much more than 8%. Chatham County's undesignated general fund fund balance is about average for counties our size. The county's policy is that at least 20% of expenditures be maintained as available fund balance.

Consistent with GASB 34, the county reports net assets (total assets less liabilities) in proprietary funds.

### Governmental Funds Fund Balances:

	General Fund	Impact Fees	Capital Improvements Reserve	Non-major Special Revenue Funds	Non-major Capital Project Funds
Beginning Balance	23,882,752	8,369,764	17,890,475	2,221,304	2,179,735
Estimated Revenue:					
Ad valorem Taxes	55,619,328	-	-	-	-
Local option sales taxes	7,978,642	-	-	-	-
Other taxes	645,637	-	-	529,415	-
Intergovernmental	10,958,169	-	427,629	10,546	-
Permits and fees	972,997	1,508,600	-	178,552	-
Sales and services	2,224,241	-	-	-	-
Interest earned on investments	72,000	11,435	20,968	2,755	1,187
Grants & donations	393,207	-	-	-	-
Other general revenues	82,052	-	-	-	-
Total Revenues	78,946,273	1,520,035	448,597	721,268	1,187

	<b>General Fund</b>	<b>Impact Fees</b>	<b>Capital Improvements Reserve</b>	<b>Non-major Special Revenue Funds</b>	<b>Non-major Capital Project Funds</b>
Estimated Expenditures					
General government	7,742,266	-	-	-	-
Public safety	11,415,911	-	-	1,490,954	-
Natural resource management	3,013,163	-	-	-	-
Human services	17,531,199	-	-	-	-
Education, culture & recreation	38,887,035	-	-	-	-
Total Expenditures	78,589,574	-	-	1,490,954	-
Excess of Revenues over Expenditures	356,699	1,520,035	448,597	(769,686)	1,187
Transfers Over/Under	2,170,728	(3,843,079)	2,172,193	(537,309)	(24,977)
Estimated Ending Balance	26,410,179	6,046,720	20,511,265	914,309	2,155,945

**Explanation of changes in fund balance greater than 10%:** The general fund fund balance is projected to increase by 11%. As explained in the budget message, cuts made in FY 2012 allowed the county to offset additional expenses in FY 2013 and contribute to fund balance in FY 2012. This contribution also makes possible the significant appropriation of fund balance in FY 2013 for capital projects.

The impact fee fund is projected to decline 28% because transfers to the general fund to pay debt service on schools are not matched by development contributions. This reduction is

taken into consideration in the county's debt model, which utilizes impact fees and the capital improvements reserve to fund future debt.

The Capital Improvements Reserve fund balance is projected to increase 15%. This increase is planned to fund future debt.

The estimated 59% reduction in fund balance for non-major special revenue funds reflects the spending of 911 public safety funds, which must be expended by June 30, 2012.

## Financial Indicators:

The University of North Carolina at Chapel Hill's School of Government created a series of financial indicators that enable local governments to review and analyze their financial condition. In addition to providing a visual analytical tool, these indicators also enable governments to benchmark against other jurisdictions. Each indicator is illustrated with a graph that shows the indicator's trend over the past six years in Chatham and a corresponding benchmarking graph that compares Chatham to Lee, Moore, and

Orange. Lee County was chosen for comparison because of its geographic proximity and similar sized population. Moore County was chosen because of its geographic proximity and its similar sized budget. Orange County was chosen because of its geographic proximity, similar per capita income, and similar valuation per capita.

All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds, such as special revenue funds and the General Fund.

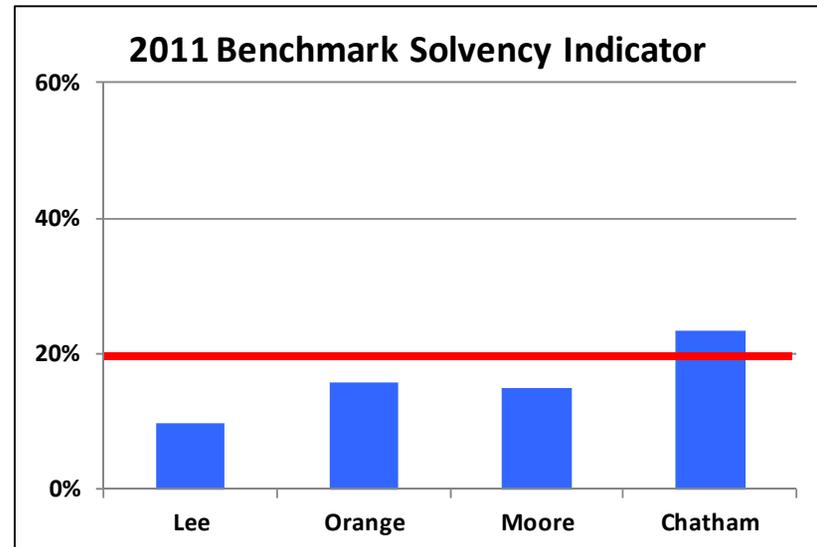
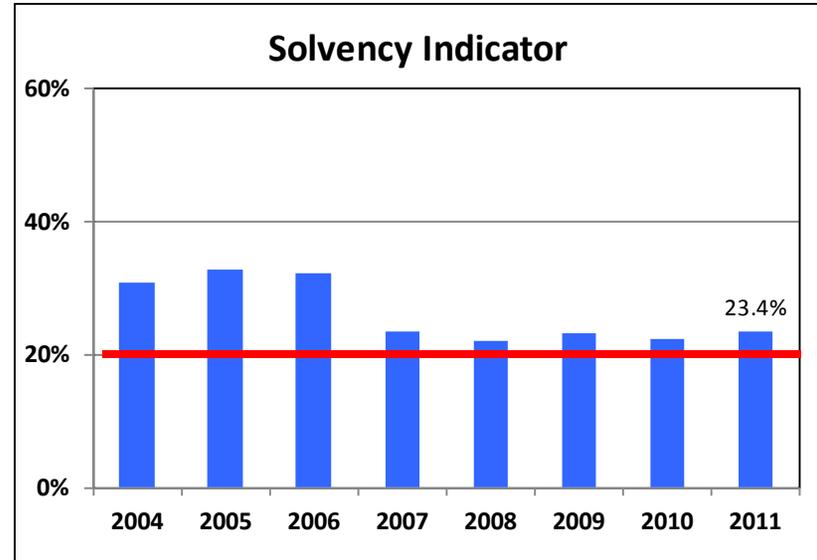
	Chatham	Lee	Moore	Orange
<b>Budgeted Expenditures</b>	\$82,994,068	\$62,689,722	\$84,940,545	\$178,177,522
<b>State Rank</b>	34	45	33	12
<b>Nonschool Expenditures</b>	\$49,991,271	\$39,303,535	\$52,750,552	\$94,990,489
<b>State Rank</b>	36	49	35	15
<b>Effective Tax Rate</b>	\$0.63	\$0.72	\$0.46	\$0.85
<b>State Rank</b>	52	22	83	5
<b>2010 Population</b>	63,870	58,059	88,594	134,325
<b>State Rank</b>	40	49	32	22
<b>Valuation/capita</b>	\$137,379	\$80,952	\$133,337	\$134,325
<b>State Rank</b>	17	54	19	22
<b>2009 Per Capita Income</b>	\$42,870	\$30,505	\$38,539	\$47,925
<b>State Rank</b>	2	50	9	1
<b>Total Funding Per Student</b>	\$4,150	\$2,390	\$2,540	\$5,370
<b>State Rank</b>	4	32	26	2
<b>Number of Students</b>	7,952	9,786	12,672	18,990
<b>State Rank</b>	51	39	32	24

An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. In addition, the indicators revealed interesting financial data that was incorporated into the budget decision-making process. Below are the financial indicators that may provide insight into budget decisions and provide background information about Chatham County's financial condition:

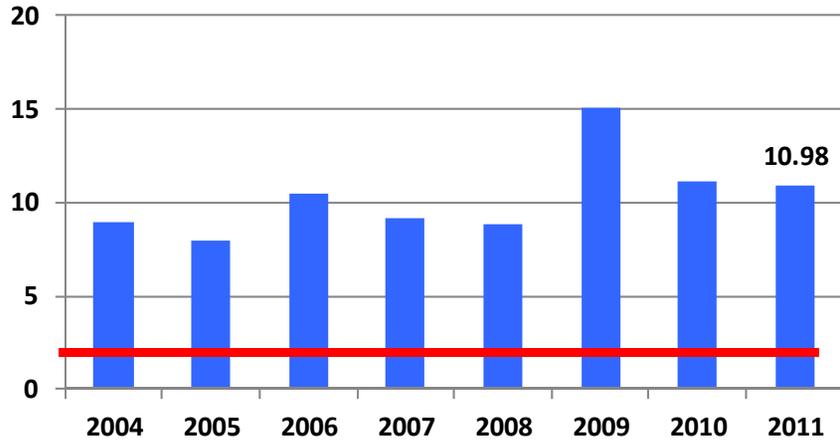
### Solvency

The Solvency Indicator measures a government's ability to address long-term obligations. A high ratio suggests a government can meet its long-term obligations. The Solvency Indicator is calculated by dividing the available fund balance by total expenditures (less proceeds from capital leases) plus transfers out.

Chatham County's solvency ratio is 23.4%, meaning the county has funds available for capital projects, such as the JS Waters School roof or renovations to the courthouse annex. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.



### Liquidity Indicator

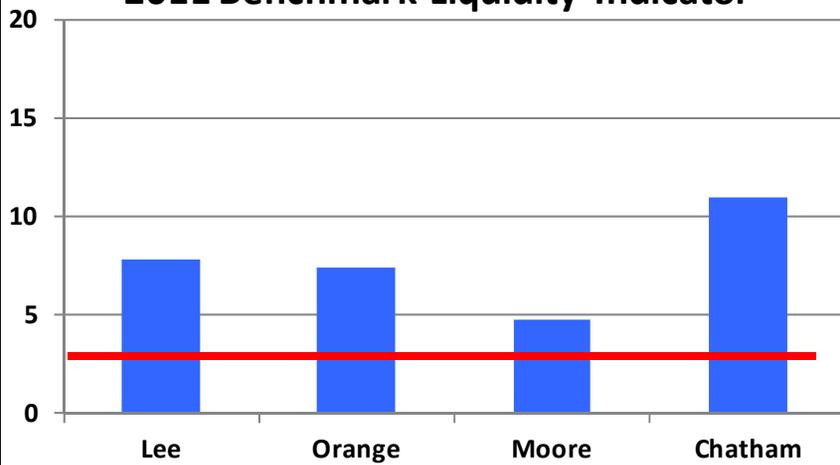


### Liquidity

The Liquidity Indicator measures a government's ability to meet its short-term obligations. The Liquidity Indicator is calculated as cash and investments divided by current liabilities (not including deferred revenue).

The School of Government recommends having a ratio of 2 or greater. Currently, Chatham County has a ratio of 10.98, meaning the county has cash available to meet its immediate cash needs.

### 2011 Benchmark Liquidity Indicator

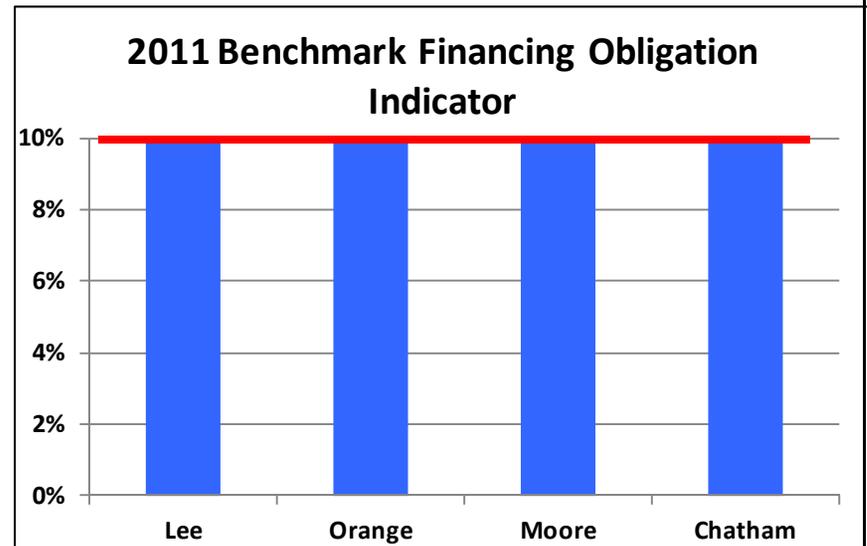
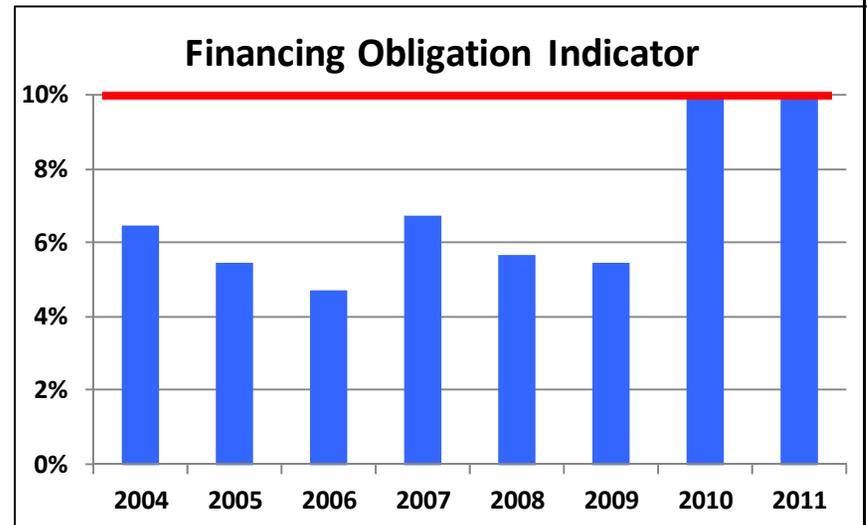


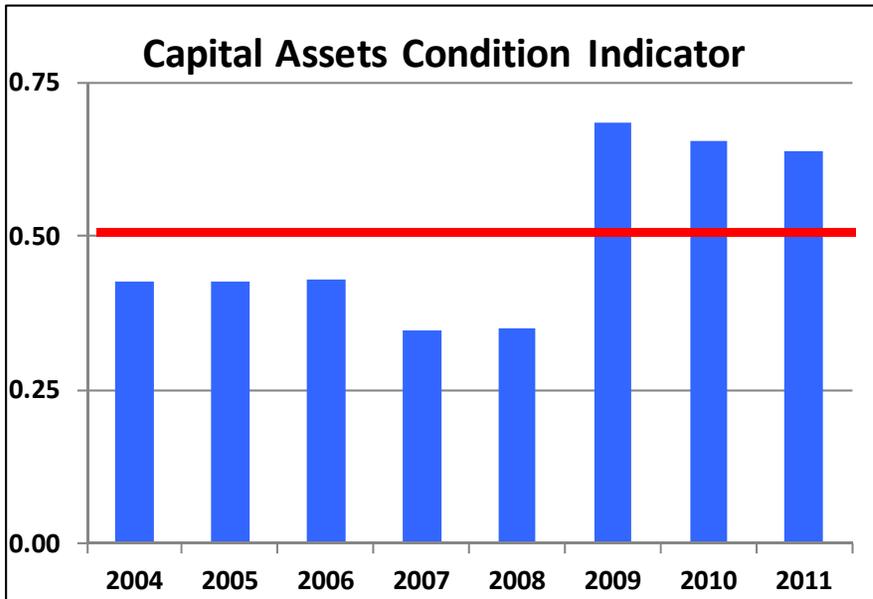
### Financing Obligation

The Financing Obligation Indicator provides feedback on the amount of expenditures committed to annual debt service. Service flexibility decreases as more resources are committed to annual debt service. The Financing Obligation is calculated by dividing the debt service principal and interest payment, including transfers to debt service fund, by total expenditures.

The School of Government recommends that this ratio should be no more than 10%. Chatham County's Financing Obligation Indicator is 10%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services.

However, Chatham has set aside 5.5 cents on the tax rate in a reserve to pay debt service incurred for capital projects.

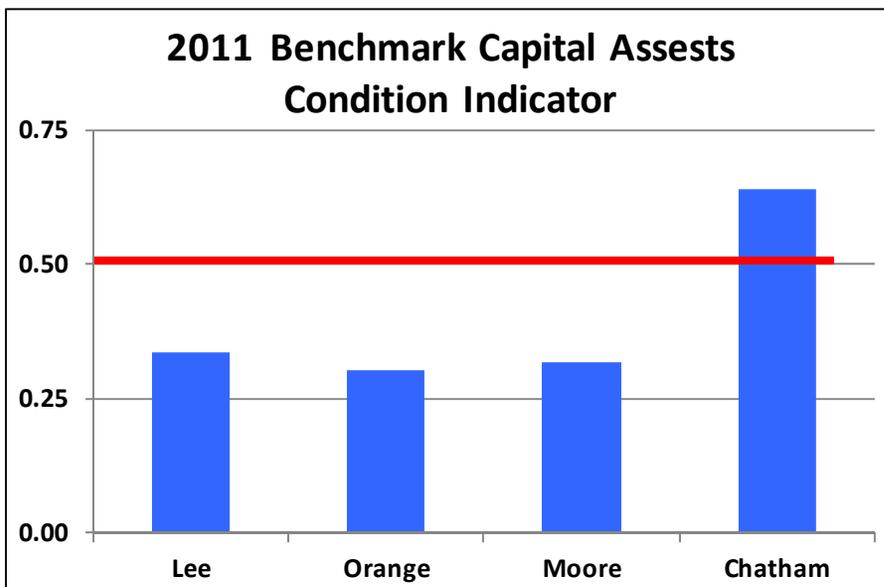




### Capital Assets Condition Indicator

The Capital Assets Condition Indicator measures the condition of capital assets as defined by their remaining useful life. A high ratio suggests a government is investing in its capital assets. The Capital Assets Conditions Indicator is calculated as accumulated depreciation divided by capital assets being depreciated. This result is then subtracted from one.

The School of Government recommends maintaining a ratio of .5. Currently, Chatham County's Capital Assets Condition Indicator is .64, meaning Chatham County is maintaining and investing in capital, such as buildings and vehicles, appropriately. In the past, however, Chatham County did not achieve a .5 ratio. Recent capital expenditures reflect an effort to improve this ratio and invest in capital assets.



## Employee Summary (full-time equivalents):

Personnel counts shown below are given in full-time-equivalents (FTE) for all regular county employees (temporary positions are not included). The FTE converts the hours worked by a position into a percentage of a full year's number

of hours. For most positions, 1 FTE equals 2,080 hours per year per position (based on a 40 hour work week and a 52 week work year). If a position works 1,040 hours per year, this translates into .5 FTE.

County Department	2011 Actual	2012 Amended	2012 Estimated	2013 Total Req.	2013 Total Rec.	2013 Appr. Cont.	2013 Appr. Exp.	2013 Total Appr.	Variance	Total % Inc./Dec.
Central Permitting -- Administration	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Central Permitting -- Fire Marshal Division	4.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Central Permitting -- Inspections Division	6.00	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0.00	0%
Chatham Transit Network	0.00	0.00	0.00	1.00	1.00	1.00	0.00	1.00	1.00	100%
Community Development/Ombudsman	1.00	0.75	0.75	1.00	1.00	0.75	0.00	0.75	0.00	33%
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
County Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
County Manager's Office	9.50	8.00	8.00	8.00	8.00	8.00	0.00	8.00	0.00	0%
Court-Related Programs	4.76	4.76	4.76	4.64	4.64	4.64	0.00	4.64	(0.12)	-3%
Elections Office	2.00	2.00	2.00	2.50	2.50	2.00	0.50	2.50	0.50	25%
Emergency Management -- 911 Funding	0.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
Emergency Management -- Emergency Operations	3.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Emergency Management -- Telecommunications	18.00	18.00	18.00	18.00	18.00	18.00	0.00	18.00	0.00	0%
Environmental Quality -- Land & Water Resources	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Environmental Quality -- Solid Waste & Recycling	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0.00	0%
Environmental Resources	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Finance Office	8.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00	0.00	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Health -- Administration	6.00	6.00	6.00	7.00	7.00	7.00	0.00	7.00	1.00	17%
Health -- Animal Control	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0.00	0%
Health -- Community & Family Health	16.50	12.00	12.00	11.75	11.75	11.75	0.00	11.75	(0.25)	-2%
Health -- Community Health & Surveillance	7.65	5.00	5.00	6.75	6.75	5.75	1.00	6.75	1.75	35%
Health -- Environmental Health	16.50	16.50	16.50	13.75	13.75	16.25	-2.50	13.75	(2.75)	-17%
Health -- Preventive Health Care	26.65	26.65	26.65	26.65	26.65	26.65	0.00	26.65	0.00	0%
Library	18.10	17.10	17.10	17.10	17.10	17.10	0.00	17.10	0.00	0%

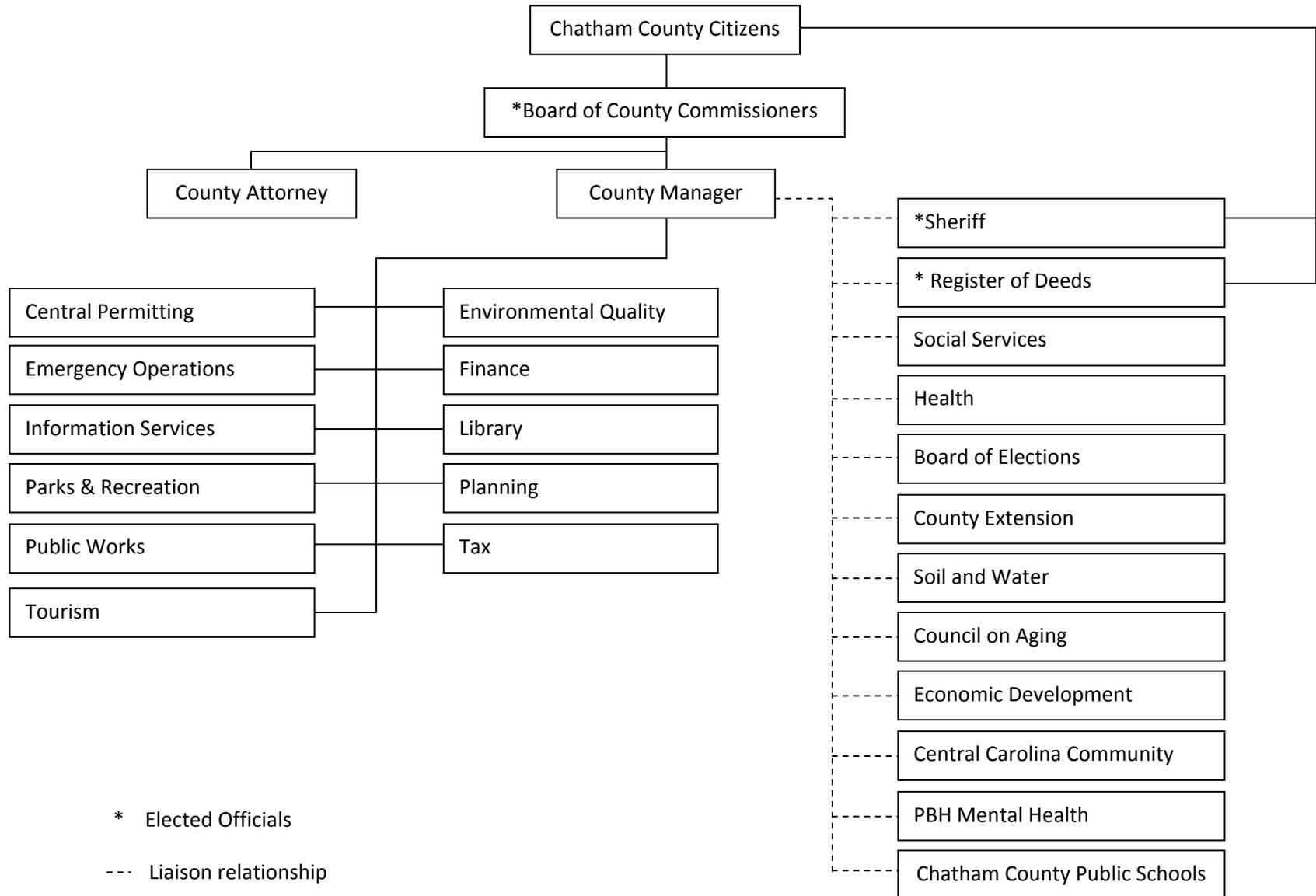
County Department	2011 Actual	2012 Amended	2012 Estimated	2013 Total Req.	2013 Total Rec.	2013 Appr. Cont.	2013 Appr. Exp.	2013 Total Appr.	Variance	Total % Inc./Dec.
Management Information Systems (MIS)	11.50	11.00	11.00	13.00	13.00	12.00	1.00	13.00	2.00	18%
Parks & Recreation	5.50	5.50	5.50	5.50	5.50	5.50	0.00	5.50	0.00	0%
Pittsboro-Siler City Convention & Visitors Bureau	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
Planning -- Transportation	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Planning Department	7.00	7.50	7.50	6.50	6.50	7.50	-1.00	6.50	(1.00)	-13%
Public Works -- Facilities Management	12.00	11.00	11.00	16.00	16.00	11.00	5.00	16.00	5.00	45%
Public Works -- Fleet Management	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Register of Deeds	6.00	5.75	5.75	6.00	5.75	5.75	0.00	5.75	0.00	0%
Sheriff's Office -- Law Enforcement	80.00	80.00	80.00	86.00	86.00	79.00	7.00	86.00	6.00	8%
Sheriff's Office -- Jail	20.00	21.00	21.00	25.00	25.00	22.00	3.00	25.00	4.00	19%
Social Services	83.25	83.25	83.25	85.25	85.25	83.25	2.00	85.25	2.00	2%
Soil & Water Conservation District	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Sustainable Communities -- Administration	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Sustainable Communities -- Resource Conservation	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Tax -- Administration	10.00	10.00	10.00	10.00	10.00	10.00	0.00	10.00	0.00	0%
Tax -- Assessment & Revaluation	5.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Tax -- Land Records	2.00	2.00	2.00	1.00	1.00	1.00	0.00	1.00	(1.00)	-50%
Water -- Distribution	16.00	15.00	15.00	15.00	15.00	15.00	0.00	15.00	0.00	0%
Water -- Water Treatment	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0.00	0%
<b>Total County Employees</b>	<b>452.91</b>	<b>435.76</b>	<b>435.76</b>	<b>454.39</b>	<b>454.14</b>	<b>437.89</b>	<b>16.00</b>	<b>453.89</b>	<b>18.13</b>	<b>4%</b>

**Explanation of changes in staffing levels:** The number of county positions is increasing by 18.13 FTEs. Sixteen (16) of these positions are being added to staff the new Chatham County Justice Center that will open in late fall or early winter. The facility requires seven additional law enforcement personnel for security, three additional detention officers to staff prisoner holding areas, an additional MIS position to provide support of technology, and five additional facilities management positions to clean and maintain the facility.

A small reduction (0.12 FTEs) is being made in court-related programs to account for a position being converted to a

contractor. Position counts in the Health Department are being reduced by 0.25 to reflect the modification of the lead program and the restructuring of the Community & Family Health division. The planning department is losing one FTE as the result of targeted budget reductions. Social Services is gaining two FTEs to bring administration of the childcare subsidy program in house. Finally, one position is being moved from the Tax Office to MIS to provide better support for the county's GIS function.

# Chatham County Organizational Chart



# Consolidated Funds Schedule

The consolidated funds schedule shows all revenues and expenditures for all funds included in Chatham County's annual budget, including the General Fund (the county's primary operating fund), other governmental funds (such as impact fees and 911), proprietary funds (water and solid waste & recycling, which operate like businesses), and one fiduciary fund (law enforcement pension trust fund). The schedule does not include capital projects.

	A 2010 Actual	B 2011 Actual	C 2012 Amended	D 2012 Estimated	E 2013 Total Req.	F 2013 Total Rec.	G 2013 Appr. Cont.	H 2013 Appr. Exp.	I 2013 Total Appr.	J Variance	K Total % Inc./Dec.
<b>Revenues</b>											
Fees & Permits	835,492	1,126,385	902,900	972,997	964,800	993,354	993,354	0	993,354	90,454	10%
Intergovernmental	11,577,918	11,361,828	10,521,214	11,443,342	9,937,431	9,966,291	9,966,291	0	9,966,291	(554,923)	(5%)
Interest	403,722	150,023	156,870	150,585	149,760	149,760	149,760	0	149,760	(7,110)	(5%)
Grants/Donations	2,357,299	2,114,199	1,465,392	2,080,359	1,439,730	1,414,341	1,414,341	0	1,414,341	(51,051)	(3%)
Miscellaneous	572,527	566,830	(56,000)	99,665	(30,000)	(30,000)	(30,000)	0	(30,000)	26,000	(46%)
Other Taxes/Licenses	1,246,937	1,258,436	1,224,528	1,326,394	1,281,615	1,293,115	1,293,115	0	1,293,115	68,587	6%
Property Tax	56,502,941	59,753,901	59,730,817	61,367,917	62,355,382	62,405,682	62,405,682	0	62,405,682	2,674,865	4%
Sales & Service	15,305,192	16,041,868	14,702,029	16,453,134	15,200,290	15,396,386	15,392,861	3,525	15,396,386	694,357	5%
Sales Tax	8,063,692	7,879,070	7,970,000	7,978,642	8,055,000	8,036,000	8,036,000	0	8,036,000	66,000	1%
Transfers	12,489,932	11,193,728	11,916,341	10,946,080	11,919,562	11,919,562	11,847,194	72,368	11,919,562	3,221	0%
Fund Balance	0	0	12,381,361	0	14,360,248	14,844,893	14,978,749	0	14,978,749	2,597,388	21%
<b>Total Revenues</b>	<b>109,355,652</b>	<b>111,446,268</b>	<b>120,915,452</b>	<b>112,819,115</b>	<b>125,633,818</b>	<b>126,389,384</b>	<b>126,447,347</b>	<b>75,893</b>	<b>126,523,240</b>	<b>5,607,788</b>	<b>5%</b>
<b>Expenditures</b>											
Salaries	16,750,187	17,613,109	17,203,604	16,820,611	17,515,853	18,552,345	18,151,762	390,061	18,541,823	1,338,219	8%
Other Personnel Costs	11,092,106	12,432,571	12,403,923	12,166,365	12,602,889	12,793,316	12,632,910	158,382	12,791,292	387,369	3%
Operating	48,173,586	49,018,769	57,599,552	49,311,032	61,708,393	61,232,170	60,988,265	403,810	61,392,075	3,792,523	7%
Debt	9,444,086	10,780,908	11,114,552	11,328,820	10,607,658	10,607,658	10,607,658	0	10,607,658	(506,894)	(5%)
Transfers	12,429,932	12,499,116	11,916,341	11,008,524	12,014,918	12,179,038	12,179,038	0	12,179,038	262,697	2%
Public Assistance/Grants/Special Programs	5,954,299	6,447,054	9,208,687	6,332,756	7,857,519	7,868,213	7,950,111	(81,898)	7,868,213	(1,340,474)	(15%)
Capital Outlay	1,595,772	1,765,092	1,468,793	3,054,919	3,188,727	3,143,141	969,543	2,173,598	3,143,141	1,674,348	114%
<b>Total Expenditures</b>	<b>105,439,968</b>	<b>110,556,619</b>	<b>120,915,452</b>	<b>110,023,027</b>	<b>125,495,957</b>	<b>126,375,881</b>	<b>123,479,287</b>	<b>3,043,953</b>	<b>126,523,240</b>	<b>5,607,788</b>	<b>5%</b>