

Summary Information

Summary of Changes to the 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. The adjustments to the FY 2015 Recommended Budget are as follows:

- The recommended budget included \$30,000 to Central Carolina Community College to build a shed for the community garden program. Commissioners requested that this amount be set aside in contingency funds, pending further discussion concerning the project.
- The recommended budget included giving employees either a 2% pay increase or bringing employees half-way to their market rate (identified in the prior pay study) in July. The approved budget provides employees with a 2.5% increase or the adjustment to full market rate in October of 2014. The recommended budget included \$11,000 for commissioners to allocate to nonprofit agencies at their discretion, but commissioners chose not to allocate these funds.
- Following approval of the budget by the Board of Commissioners, staff discovered a very small mistake in the 911 fund caused by the budget software. The ordinance reflects correction of that mistake.

A summary of the adjustments to the FY 2015 Recommended Budget are as follows:

General Fund	
Expenditures:	
Provide employees with either a 2.5% increase or an increase to full market rate in October:	35,966
Removed expense for nonprofit discretionary awards:	(11,000)
Decrease contingency fund:	(24,966)
Net change:	0
Water Fund	
Expenditures:	
Provide employees with either a 2.5% increase or an increase to full market rate in October:	(1,261)
Revenues:	
Decrease appropriated fund balance:	(1,261)
Solid Waste & Recycling Fund	
Expenditures:	
Provide employees with either a 2.5% increase or an increase to full market rate in October:	11,945
Revenue:	
Increase appropriated fund balance	11,911
Enhanced 911 Fund	
Expenditures:	
Incorrectly budgeted life insurance	(21)
Fund Revenue:	
Reduce telephone charges/E911:	(21)

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.

Early History

According to *Chatham County: 1771-1971*, edited by Doris Goerch Horton, Nell Craig Strowd, and Wade Hadley, the county's early history was as follows:

Records show that settlers from Europe arrived in the area as early as the mid 1700s, including a Quaker settlement formed in 1751. Early settlers entered from the north through a trading route of the Catawba Indians and from the south through the Cape Fear River Valley.

The Colonial Assembly established Chatham County through legislation introduced on December 5, 1770, which was effective on April 1, 1771. The county was formed from a portion of what was once Orange County. The county was named for the Earl of Chatham, William Pitt, who was a "defender of American rights in the British Parliament." A portrait of the Earl of Pitt, replacing one destroyed in the March 2010 courthouse fire, hangs in the newly restored Chatham County Historic Courthouse.

The legislation forming Chatham County noted that the new county was needed to provide greater access to inhabitants living in the southern part of the county. It was too difficult and expensive for those residents to travel to the Orange County government seat (Hillsborough) to conduct business.

In the early years, the county was governed by justices of the peace, which served the Court of Pleas and Quarter



The Grand Reopening of the Historic Courthouse on April 20, 2013 included the unveiling of a new portrait of the Earl of Chatham by Raleigh artist Luana Luconi Winner, which replaces the portrait destroyed by the 2010 courthouse fire. She copied one of the original portraits of the Earl painted by William Hoare in the 1700s that belongs to the NC Museum of Art. Luck Stone Corp. commissioned and paid for the new portrait.

Sessions. The justices were appointed by the state's General Assembly. For a period of time, the justices also appointed other county officials, which included the sheriff, coroner, constables, clerk, register, county attorney, standard-keeper, entry-taker, surveyor, rangers (which dealt with stray animals), and overseers of roads.

Reconstruction and the new State Constitution of 1868 established a five-member board of county commissioners, divided the county into townships, and radically changed the court system. Justices of the peace were eliminated from county government in 1894.

Modern History

In 1977, the county adopted the council-manager form of government and appointed the first county manager. We now have five county commissioners elected to four-year staggered terms. They must reside in specific districts but are elected by voters at large.

County manager's authority: Unlike town managers, the county manager only has hiring authority for about one-third of all county department heads. Even though the county manager has limited authority over selecting department heads, he has to work closely with all of the departments and their leaders because the county often is responsible for funding all or some of their budgets.

Education: Chatham County contributes funds to, but does not govern, K-12 public education and the community college system. The Chatham County School System is governed by its own elected board. Central Carolina Community College,

which has two campuses in the county, is governed by its own appointed Board of Trustees.

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.

Demographics:

The county has seen a major surge in Hispanic/Latino residents in the western part of the county, increasing from 564 residents to 8,686 between 1990 and 2012.

The Census estimates the 2013 population at 66,817, an increase of approximately 5.0% since 2010. Chatham's population growth was equal to that of neighboring Orange County and somewhat more than Lee (4.0%), and Moore (3.8%).

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 2012 population as follows:

- Siler City: 8,140
- Pittsboro: 4,033
- Goldston: 272
- Cary: 1,858 (with a total population of 145,693, the largest share of Cary's population is in Wake County)

Ethnic/Racial Diversity: The overall racial/ethnic composition of Chatham County is approximately 71% white, 13.5% African American, 13% Hispanic, 1.3% Asian, and other races 1%.

Economic Indicators & Assumptions:

Experts agree that the economy has been recovering slowly from the Great Recession since late 2009. Most local indicators are doing even better than the nation and state. The Triangle Region of North Carolina, where Chatham County is located, is faring better than the state. On some indicators, such as building permit revenue and unemployment, Chatham County is nearing pre-recessionary levels.

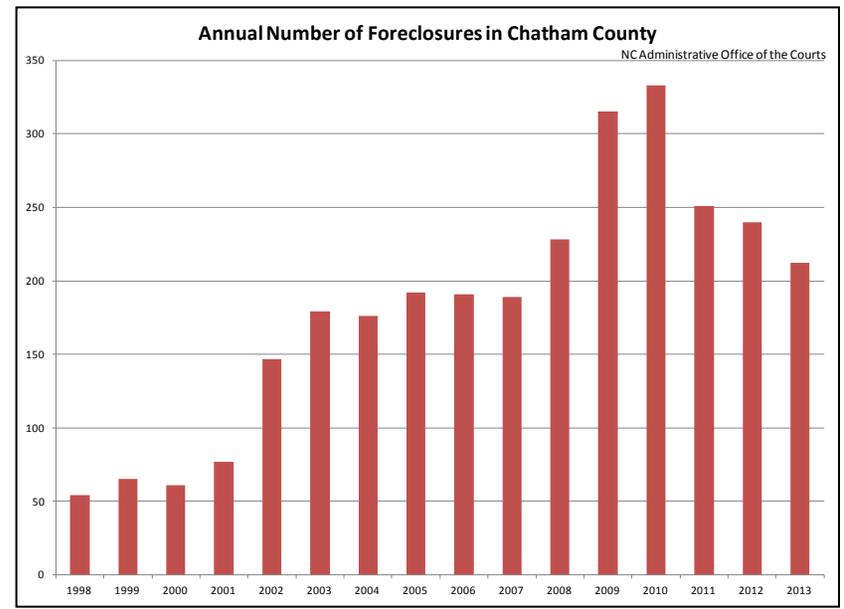
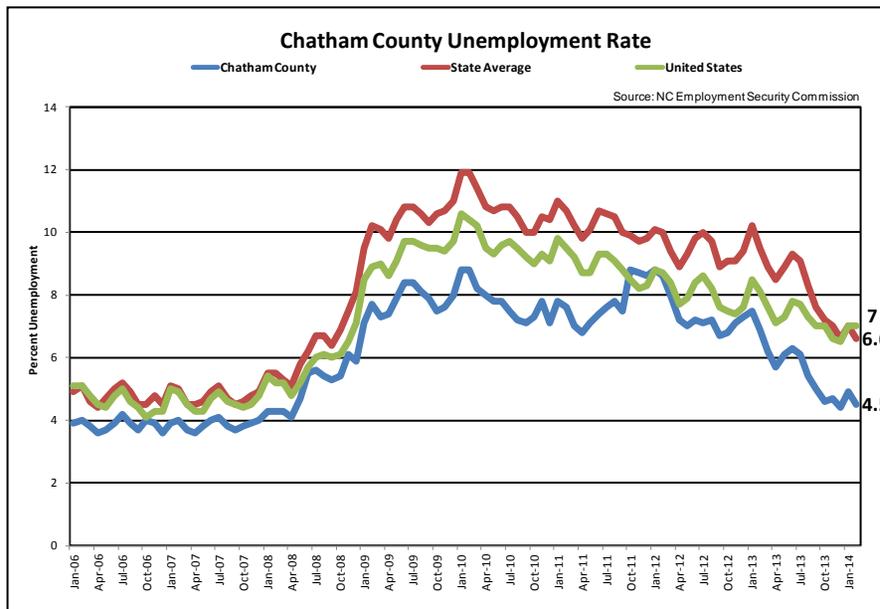
Unemployment: Because of our proximity to stable employment centers such as state government, three major universities, and Research Triangle Park, the county unemployment rate trends well below the state and nation. In October 2011, after the closing of the then largest private employer, the county's unemployment rate rose to levels about the national average. However, the rate has dropped

substantially in the last two years and is, again, well below the state and nation. The rate for February 2014 was the second lowest among counties in the state.

While many employers of county residents are located outside the county, the Chatham Economic Development Corporation reports that 1,177 jobs were added in Chatham County between calendar years 2011 and 2013.

Foreclosures: The number of foreclosures in the county had jumped significantly following the recession, but has been dropping since 2011 and is nearing pre-recession levels, as shown in the chart below.

Property Tax Base: Before the recession, the county saw growth exceeding 5% annually. We have not returned to those levels. Driven by residential construction in Briar Chapel, other



subdivisions in the northeastern part of the county, and the Town of Cary, real property is expected to grow 2.4% in FY 2015. Without substantial investment by businesses in equipment, the business personal property tax base tends to shrink slightly each year as equipment is depreciated. This is the case for FY 2015. Public utility values, set by the state, are expected to decline, since the county is losing about \$18 million in additional value from the closing of the Duke Energy coal-fired plant in Moncure. Motor vehicle values are nearly impossible to estimate since we are in the first year of collection of vehicle taxes by the state (see the Budget Message for more detail).

The state's measure of tax value to market value, the sales assessment ratio, shows that on average tax values are 3.4%,

above market values. This figure has been declining for the past two years, reflecting recovery in real property values.

Retail Sales: In December 2013, locally collected sales tax saw its best month since FY 2008. Absent a very large refund against January collections, locally collected sales taxes are trending 11% above last year, compared with the statewide collected tax, which is currently up 6.2%.

Building Permits: The number of residential building permits issued countywide is up 33% over last year.

State Budget: The impact on the school system has been significant, but so far those actions have not had a major impact on county revenues.

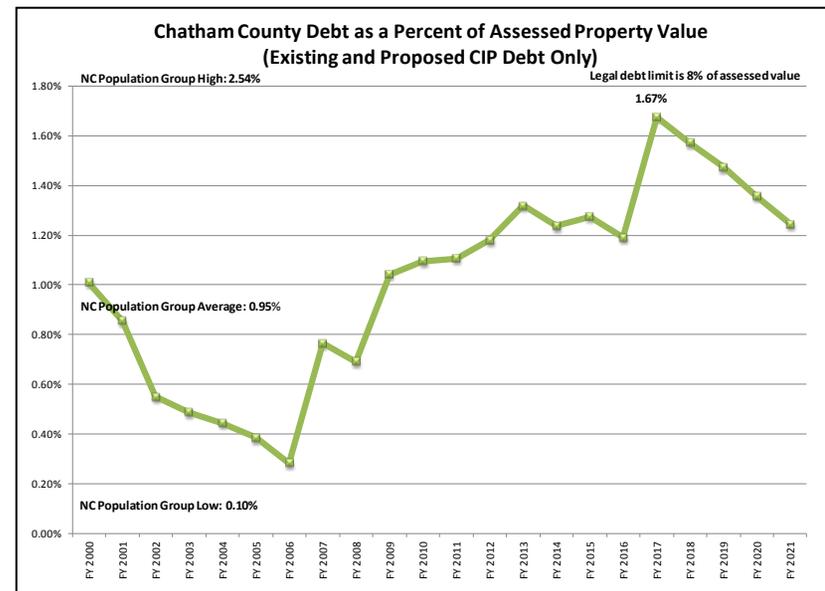
Debt

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.

Legal Debt Margin Calculation:

Total assessed value	\$9,110,794,992
Debt Limit, 8% of total assessed value NCGS 159-55(c)	\$728,863,599
Gross Debt:	\$120,226,780
Total net debt applicable to limit	\$120,226,780
Legal Debt Margin (8% of assessed value)	\$608,636,819
Debt Percentage of Assessed Value	1.32%

Debt as a percent of assessed value: Currently, the county's debt as a percent of assessed value is 1.32%. The projected high is 1.67% in FY 2017 when funds are borrowed for the new high school. This level of debt is above the current average of counties our size, 0.951%, but below the high of

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/Favorable Outlook from Moody's Investor Services and AA+ from Standard and Poor's. 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. Chatham shares the highest bond rating with Carteret County in the 50,000 to 99,999 population group.

2.542% and well below the legal debt margin set by the state of 8% of assessed value.

Debt per capita: Currently, the county's per capita debt is \$1,793 which is above the average for counties our size. With the additional borrowings scheduled with the 2015-2021 CIP,

the county's per capita value reaches a projected high of \$2,290 in FY 2017.

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.

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 E. Carter and Associates to develop a comprehensive debt model. The

model provides that 5.6 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 5.6 cents on property tax rate dedicated annually. This was increased from 5.5 to 5.6 cents in FY 2014 to reflect the addition of the Agriculture & Conference Center.
- 2% annual growth in property tax revenues/base
- 2% annual growth in lottery proceeds
- 2% annual growth in impact fees from FY 2015 to FY 2020; no growth thereafter.

General Fund Outstanding Debt and Debt Service

Series	Issue Year	Amount Issued	Principal Balance 6/30/2014	Retiring FY 15	Principal Balance 6/30/15	Interest Expense in FY 15	Debt Service in FY 15
Certificates of Participation							
Business Campus Improvements	2006	7,079,000	6,839,000	40,000	6,799,000	320,283	360,283
Social Services Addition & Renovation	2006	5,663,200	5,471,200	32,000	5,439,200	256,226	288,226
JM HS Cafeteria & Virginia Cross	2006	22,652,800	21,884,800	128,000	21,756,800	1,024,904	1,152,904
Total Certificates of Participation		35,395,000	34,195,000	200,000	33,995,000	1,601,413	1,801,413
General Obligation Bonds							
Schools	2004	10,305,000	2,925,000	1,675,000	1,250,000	117,000	1,792,000
Limited Obligation Bonds							
Northwood HS Renovations	2012	3,556,324	3,018,950	183,540	2,835,410	124,438	307,978
Performance Building Purchase& Renovations	2012	3,161,174	2,683,506	163,147	2,520,359	110,612	273,759

Series	Issue Year	Amount Issued	Principal Balance 6/30/2014	Retiring FY 15	Principal Balance 6/30/15	Interest Expense in FY 15	Debt Service in FY 15
Jail	2013	15,495,000	15,495,000	820,000	14,675,000	530,825	1,350,825
Total Limited Obligation Bonds		22,212,498	21,197,456	1,166,687	20,030,769	765,875	1,932,562
Loans & Installment Purchases							
Community College--Siler City Campus	2009	4,391,778	3,409,427	320,435	3,088,992	156,577	477,012
Community College--Sustainable Tech. Building	2009	6,014,727	4,708,257	442,505	4,265,752	216,226	658,731
Chatham Community Library	2009	6,643,495	5,182,316	487,060	4,695,256	237,997	725,057
Justice Center	2013	21,940,000	21,656,974	291,870	21,365,104	676,780	968,650
Margaret Pollard Middle	2009	21,017,352	15,840,000	1,056,000	14,784,000	632,016	1,688,016
QSCB--School Restrooms	2010	1,747,794	1,398,235	116,520	1,281,715	10,318	126,838
QSCB--School Roofs	2010	1,880,686	1,504,549	125,379	1,379,170	11,102	136,481
QSCBs--School Auditoriums	2010	767,649	614,119	51,177	562,942	4,532	55,709
QZAB - Moncure School	2002	399,005	125,540	30,693	94,847		30,693
Schools Misc. (roofs, gyms, restrooms)	2009	2,982,648	2,160,000	144,000	2,016,000	86,184	230,184
Total Loans & Installment Purchases		67,785,134	56,599,417	3,065,639	53,533,778	2,031,732	5,097,371
All General Fund Debt		135,697,632	114,916,873	6,107,326	108,809,547	4,516,020	10,623,346

Water Fund Outstanding Debt and Debt Service

Series	Issue Year	Amount Issued	Principal Balance 6/30/2014	Retiring FY 15	Principal Balance 6/30/15	Interest Expense in FY 15	Debt Service in FY 15
State Revolving Loans:							
Asbury	2004	151,580	71,332	8,917	62,415	1,997	10,914
Group B	2006	6,229,235	3,737,541	311,462	3,426,079	86,150	397,612
Southwest Chatham	2000	355,645	106,694	17,782	88,912	2,721	20,503
Total State Revolving Loans		6,736,460	3,915,567	338,161	3,577,406	90,868	429,029
Installment							
North Chatham	1999	1,700,000	56,666	56,666	0	0	56,666

Series	Issue Year	Amount Issued	Principal Balance 6/30/2014	Retiring FY 15	Principal Balance 6/30/15	Interest Expense in FY 15	Debt Service in FY 15
Limited Obligation Bonds:							
Western Transmission	2012	12,077,502	10,252,544	623,313	9,629,231	422,600	1,045,913
Total Water Fund Debt		<u>20,513,962</u>	<u>14,224,777</u>	<u>1,018,140</u>	<u>13,206,637</u>	<u>513,468</u>	<u>1,531,608</u>

Southeast Water District Outstanding Debt and Debt Service

Series	Issue Year	Amount Issued	Principal Balance 6/30/2014	Retiring FY 15	Principal Balance 6/30/15	Interest Expense in FY 15	Debt Service in FY 15
General Obligation Bonds	2010	3,200,000	3,082,000	42,000	3,040,000	123,280	165,280
Revenue Bonds	2010	1,886,000	1,808,000	27,000	1,781,000	60,658	87,658
Total Southeast Water District		<u>5,086,000</u>	<u>4,890,000</u>	<u>69,000</u>	<u>4,821,000</u>	<u>183,938</u>	<u>252,938</u>

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 four fund categories: governmental, proprietary, fiduciary, and capital projects. Governmental, proprietary, and fiduciary funds are appropriated annually and included in the approved budget. Capital project funds are multi-year and are not appropriated in or included in the annual operating budget. All funds, including capital projects, are included in the county's annual audited financial statements.

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, Library Foundation, Recreation Fees, and Special Fire Districts.
- **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 Project and the Emergency Vehicle Replacement Reserve Project.

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.
- **Water & Solid Waste Capital Projects Funds** account for the acquisition and construction of capital financed by proprietary funds. Water and Solid Waste project funds are not included in the operating budget

- **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 Balance

Governmental funds report the difference between their assets and liabilities as fund balance, which is then divided into reserved and unreserved portions. Reserved fund balance isolates the portion of fund balance that is not available for the following period's budget, so that unreserved fund balance can serve as a measure of current available resources. Reservation of fund balance is necessary for one of two reasons: either resources are not available for spending or legal restrictions have been placed on spending. Unreserved fund balance may be subdivided into designated and undesignated portions. Designations of unreserved fund balance are self-imposed and represent management's intended and approved future use of resources.

NC State law (GS159-13(b)(16)) restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

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 balance is about average for counties our size. The county's policy is that at least 20% of General Fund expenditures be maintained as available fund balance.

Consistent with GASB 34, the county reports net assets (total assets less liabilities) in proprietary funds, but fund balance is shown below to comply with GFOA budget reporting requirements.

Governmental Funds

	Major Governmental			Non-major Governmental	
	General Fund	Impact Fees	Facility/ CIP	Special Revenue	Capital Project Funds
Estimated Beginning Balance July, 2014	28,956,135	4,533,792	19,519,382	1,550,735	2,160,689
<i>Projected FY 2015 Revenue</i>					
Ad valorem Taxes	59,288,860	0	0	0	0
Local option sales taxes	9,486,300	0	0	0	0
Other taxes	767,350	0	0	467,828	0
Intergovernmental	9,490,820	0	515,000	0	0
Permits and fees	1,553,549	0	0	0	0
Sales and services	2,543,717	0	0	0	0
Interest earned on investments	144,200	20,600	77,250	3,286	6,489
Grants & donations	349,465	2,129,937	0	157,590	0
Other general revenues	145,230	0	0	0	0
Total Projected Revenues	83,769,490	2,150,537	592,250	628,704	6,489
<i>Projected FY 2015 Expenditures</i>					
General government	9,942,614	0	0	600	0
Public safety	16,665,422	0	0	497,330	0
Natural resource management	3,056,939	0	0	0	0
Human services	17,648,710	0	0	0	0
Education, culture & recreation	38,832,435	0	0	592,410	0
Total Projected Expenditures	86,146,120	0	0	1,090,340	0
Excess of Revenues over Expenditures	(2,376,630)	2,150,537	592,250	(461,637)	6,489
Transfers Over/(Under)	3,615,897	(3,379,082)	943,221	(122,502)	0
Projected Ending Balance, June 30, 2015	30,195,402	3,305,247	21,054,853	966,596	2,167,178
Projected Percent Change in Fund Balance	4%	-27%	8%	-38%	0%

Proprietary & Other Funds

	Fiduciary Funds	Proprietary Funds			
	Law Enforcement Trust	Utility Fund	Waste Management Fund	SE Water District	Health Internal Service
Estimated Beginning Balance July, 2014	459,501	20,798,750	4,673,599	108,560	4,413,613
<i>Projected FY 2015 Revenue</i>					
Ad valorem Taxes	0	0	0	0	0
Local option sales taxes	0	0	0	0	0
Other taxes	0	0	139,771	0	0
Intergovernmental	0	0	876	0	0
Permits and fees	0	0	0	0	0
Sales and services	103,000	6,317,775	2,913,252	617,485	5,198,274
Interest earned on investments	1,030	73,645	8,240	1,236	20,600
Grants & donations	0	0	0	0	0
Other general revenues	0	0	0	0	0
Total Projected Revenues	104,030	6,391,420	3,062,139	618,721	5,218,874
<i>Projected FY 2015 Expenditures</i>					
General government	0	0	0	0	4,965,531
Public safety	98,980	0	0	0	0
Natural resource management	0	5,522,979	3,137,059	588,686	0
Human services	0	0	0	0	0
Education, culture & recreation	0	0	0	0	0
Total Projected Expenditures	98,980	5,522,979	3,137,059	588,686	4,965,531
Excess of Revenues over Expenditures	5,050	868,441	-74,921	30,035	253,343
Transfers Over/(Under)	0	(1,656,980)	0	0	0
Projected Ending Balance, June 30, 2015	464,551	20,010,211	4,598,678	138,595	4,666,956
Projected Percent Change in Fund Balance	1%	-4%	-2%	28%	6%

Explanation of changes in fund balance greater than 10%: The Impact Fee Fund is projected to decline 27% 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.

Non-major Special Revenues fund balance is projected to decrease 38%. Much of this is attributed to spending of Recreation Fee fund balance for capital improvements in Briar

Chapel Park in FY 2015. In addition, the balance in the Personnel Savings Fund will be transferred to the General Fund to offset the cost of employee pay increases.

The Southeast Water District fund balance is projected to increase 28%. Revenues for all funds are projected at 1.03% of budget and expenditures at 0.98% of budget. This methodology results in a small surplus in the Southeast Water District. Because the water district's fund balance is relatively small, the surplus has a significant impact on fund balance.

Financial Indicators:

	Chatham	Lee	Orange
FY 14 Budgeted Expenditures (General Fund)	\$92,581,387	\$63,756,420	\$187,733,499
<i>State Rank</i>	31	46	12
Nonschool Expenditures	\$57,571,174	\$40,456,055	\$99,296,848
<i>State Rank</i>	33	51	16
FY 14 Effective Tax Rate	\$0.6475	\$0.7083	\$0.8908
<i>State Rank</i>	55	40	7
2012 Population	66,618	59,073	138,330
<i>State Rank</i>	40	47	20
FY 14 Valuation/capita	\$136,600	\$81,919	\$118,026
<i>State Rank</i>	15	54	29
2012 Per Capita Income	\$50,697	\$33,332	\$51,702
<i>State Rank</i>	2	41	1
FY 14 Total Funding Per Student (LEA only)	\$4,213	\$2,349	\$5,562
<i>State Rank</i>	5	32	2
FY 14 Number of Students (LEA only)	8,310	9,918	19,757
<i>State Rank</i>	50	38	23

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 and benchmark against other jurisdictions. Each indicator is graphed showing the trend over the past nine years in Chatham and a corresponding benchmarking graph that compares Chatham to Lee, and Orange. Lee County was chosen for comparison because of its geographic proximity and similar population size. Orange County was chosen because of its geographic proximity, similar per capita income, and similar valuation per capita.

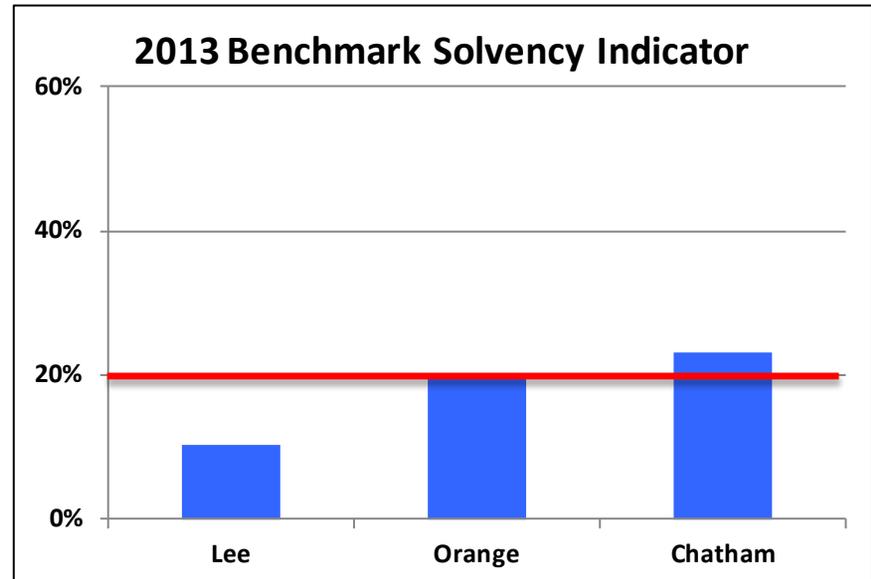
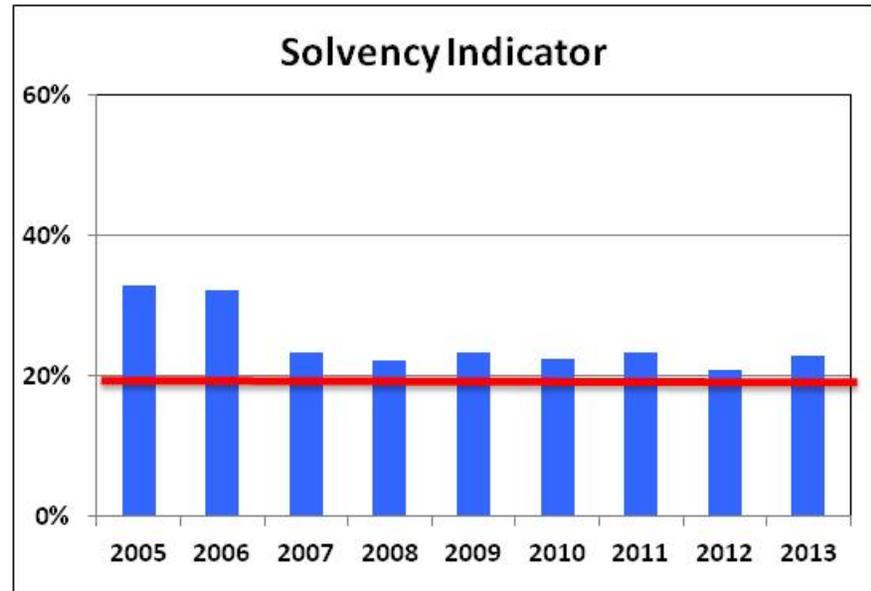
All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds.

An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. In addition, the indicators revealed 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.

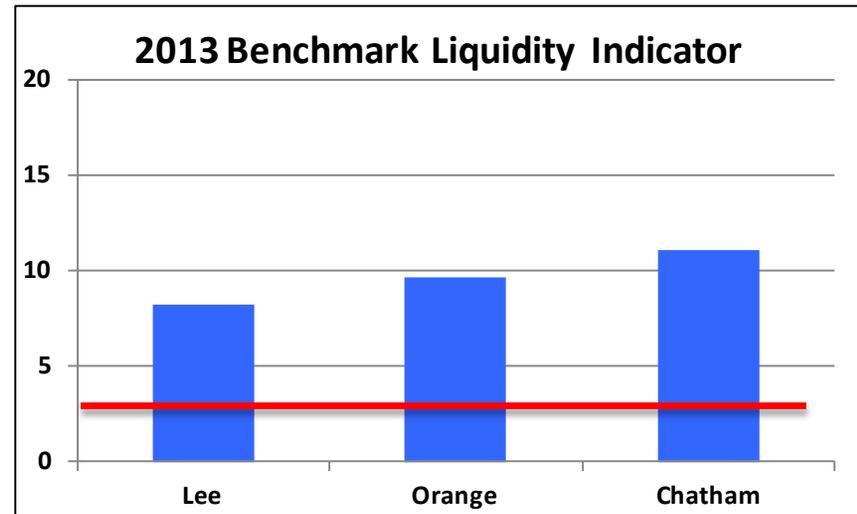
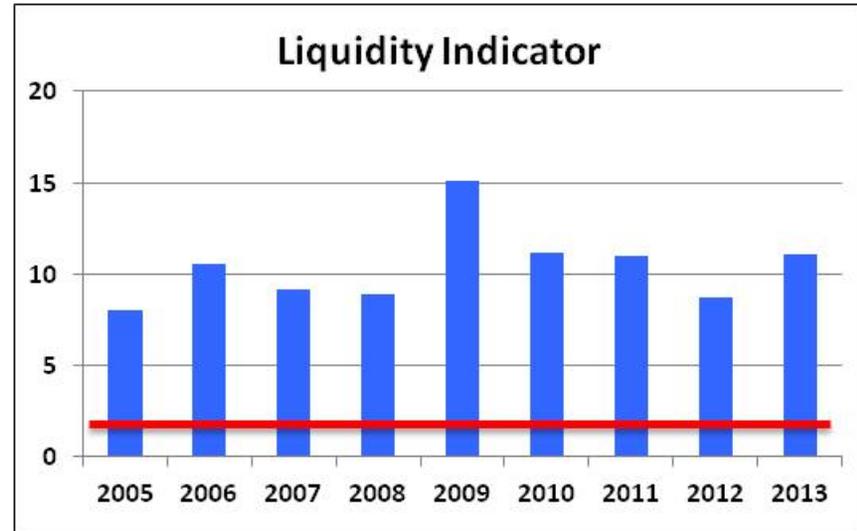
Chatham County's solvency ratio is 23.0%, meaning the county has funds available for capital projects, such as one-time expenses and the capital improvements program. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.



Liquidity

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 11.08, meaning the county has cash available to meet its immediate cash needs.

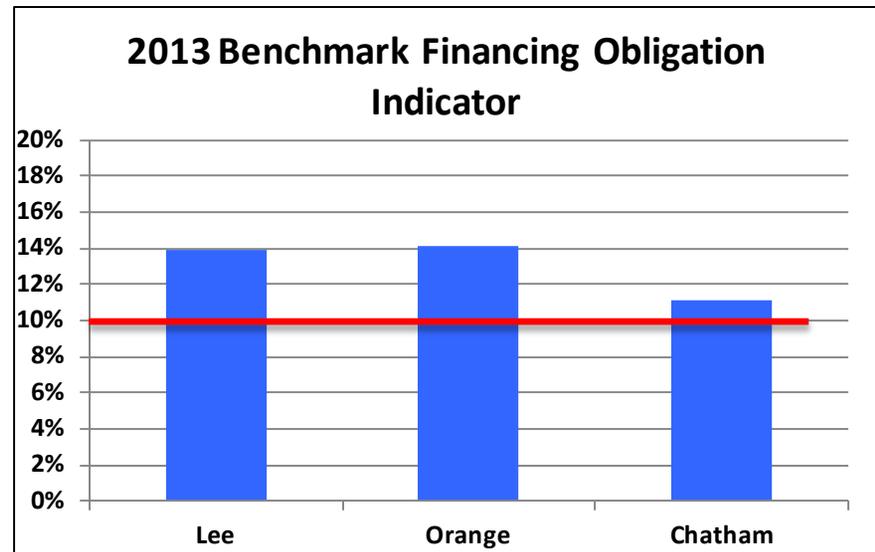
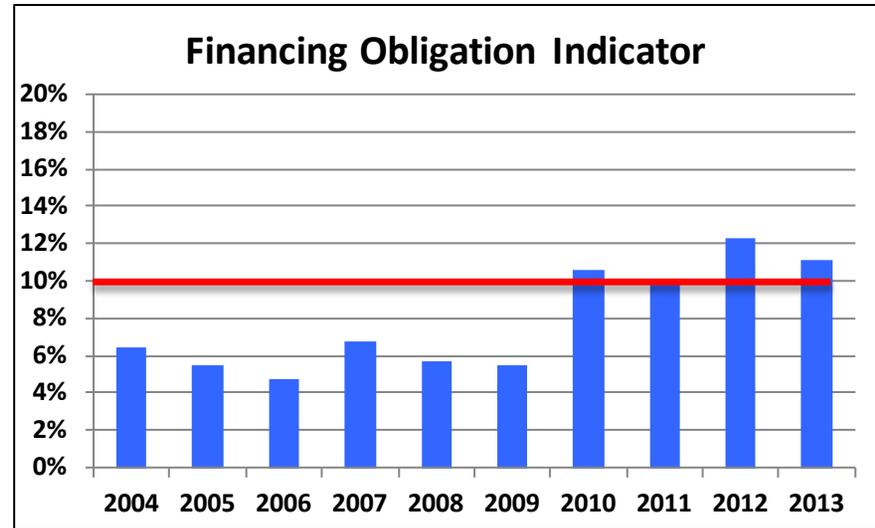


Financing Obligation

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 11%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services.

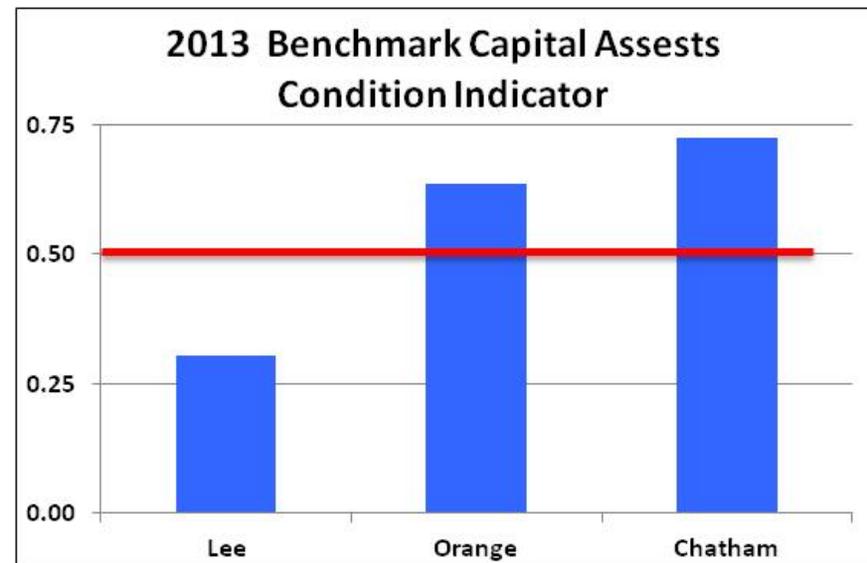
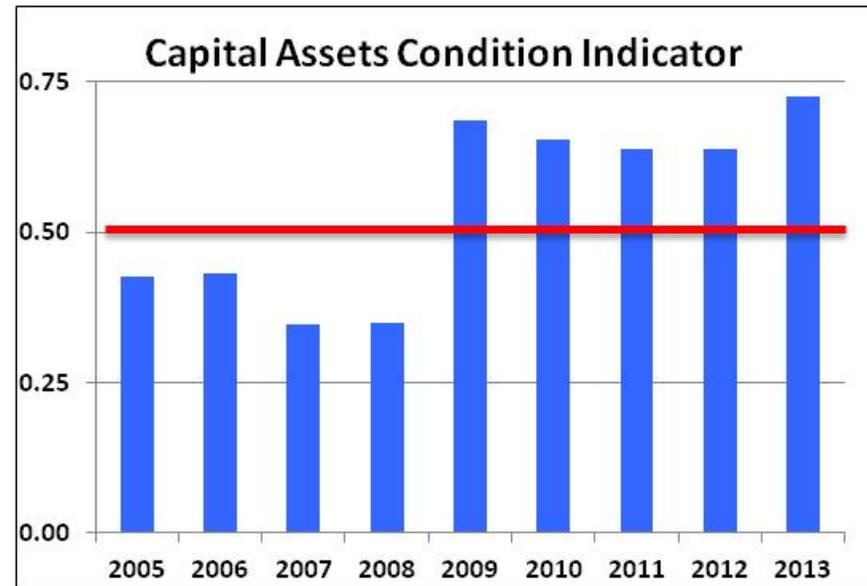
However, Chatham has set aside 5.6 cents on the tax rate in a reserve to pay for the majority of its debt service.



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 .73, 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.

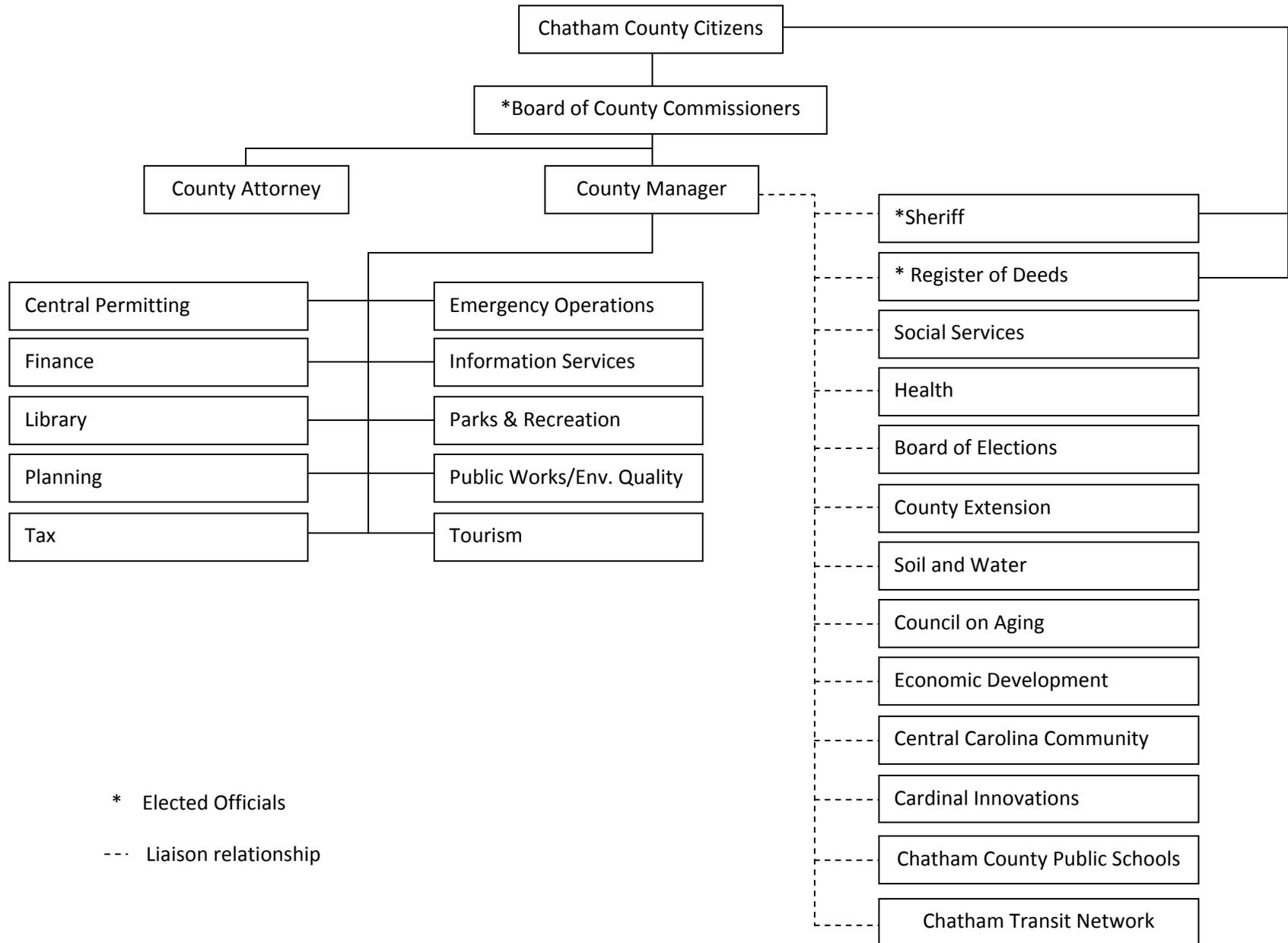
County Department	A 2012 Actual	B 2013 Actual	C 2014 Amend.	D 2014 Est.	E 2015 Req.	F 2015 Total Rec.	G 2015 App.. Cont.	H 2015 Appr. Exp.	I 2015 Total Appr.	J Var.	K %Inc/Dec
Central Permitting -- Administration	3.00	3.00	4.00	4.00	5.00	5.00	4.00	1.00	5.00	1.00	25%
Central Permitting -- Fire Marshal Division	3.00	3.00	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	6.00	0.00	6.00	0.00	0%
Chatham Transit Network	0.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
Community Development/Ombudsman	0.75	0.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Council on Aging	2.00	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	1.00	0.00	1.00	0.00	0%
County Manager's Office	8.00	8.00	9.00	9.00	9.00	9.00	9.00	0.00	9.00	0.00	0%
Court-Related Programs	4.76	4.64	3.37	4.24	4.87	4.87	4.24	0.63	4.87	1.50	45%
Elections Office	2.00	2.50	2.50	2.50	2.50	2.50	2.50	0.00	2.50	0.00	0%
Emergency Management -- Emergency Operations	2.00	2.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Emergency Management -- Telecommunications	18.00	18.00	22.00	22.00	22.00	22.00	22.00	0.00	22.00	0.00	0%
Environmental Quality -- Land & Water Resources	2.00	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	13.00	0.00	13.00	0.00	0%
Finance Office	8.00	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	2.00	0.00	2.00	0.00	0%
Health -- Administration	6.00	7.00	7.00	7.00	6.00	6.00	6.00	0.00	6.00	-1.00	-14%
Health -- Animal Services	7.00	7.00	7.00	7.00	8.00	8.00	8.00	0.00	8.00	1.00	14%
Health -- Community & Family Health	12.00	11.75	10.75	10.75	10.75	11.75	11.75	0.00	11.75	1.00	9%
Health -- Community Health & Surveillance	5.00	6.75	6.25	6.25	5.50	5.50	5.50	0.00	5.50	-0.75	-12%
Health -- Environmental Health	16.50	13.75	15.25	15.50	15.50	15.50	15.50	0.00	15.50	0.25	2%
Health -- Preventive Health Care	26.65	26.65	26.65	24.65	24.75	24.75	24.75	0.00	24.75	-1.90	-7%
Library	17.10	17.10	17.10	17.10	17.10	17.10	17.10	0.00	17.10	0.00	0%
Management Information Systems (MIS)	11.00	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0.00	0%
Parks & Recreation	5.50	5.50	5.50	5.50	5.50	5.50	5.50	0.00	5.50	0.00	0%

County Department	A 2012 Actual	B 2013 Actual	C 2014 Amend.	D 2014 Est.	E 2015 Req.	F 2015 Total Rec.	G 2015 App.. Cont.	H 2015 Appr. Exp.	I 2015 Total Appr.	J Var.	K %Inc/Dec
Pittsboro-Siler City Convention & Visitors Bureau	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
Planning Department	7.50	6.50	5.75	5.75	5.75	5.75	5.75	0.00	5.75	0.00	0%
Public Works -- Facilities Management	11.00	16.00	16.00	16.00	16.00	16.00	16.00	0.00	16.00	0.00	0%
Public Works -- Fleet Management	2.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00	-2.00	-100%
Register of Deeds	5.75	5.75	5.75	5.75	6.00	5.75	5.75	0.00	5.75	0.00	0%
Sheriff's Office -- Law Enforcement	80.00	86.00	88.00	87.00	92.00	89.00	88.00	1.00	89.00	1.00	1%
Sheriff's Office -- Jail	21.00	25.00	50.00	50.00	49.00	49.00	49.00	0.00	49.00	-1.00	-2%
Social Services	83.25	85.25	85.50	85.50	87.10	87.10	85.50	1.60	87.10	1.60	2%
Soil & Water Conservation District	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Tax -- Administration	10.00	10.00	11.00	11.00	11.00	11.00	11.00	0.00	11.00	0.00	0%
Tax -- Assessment & Revaluation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Tax -- Land Records	2.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Water -- Distribution	15.00	15.00	15.00	15.00	16.00	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	7.00	0.00	7.00	0.00	0%
Total County Employees	434.76	452.89	484.37	480.49	488.32	485.07	480.84	4.23	485.07	0.70	0%

Explanation of changes in staffing levels: The number of county positions is increasing by approximately 1 FTE. Three FTEs are being added, one each in Central Permitting, Social Services, and the Sheriff's Office to deal with increased workload. The equivalent of 1.13 FTEs are being converted from temporary to regular status to reflect legal requirements. Two FTEs are being eliminated in the Garage. These positions were vacant in 2014 and the county opted to contract out this service.

Overall, the Sheriff's Office and Jail have the same number of FTEs as last year, even though one position is being added. That's because last year's FTE count double-counted a grant funded position that was requested from the county for a portion of the year, but was later fully funded by the grant. The Health Department has eliminated a 0.50 FTE interpreter that was grant funded and transferred several positions, resulting in a 0.25 FTE reduction.

Chatham County Organizational Chart



Summary of All Appropriated Funds

Budget Summary

	A 2012 Actual	B 2013 Actual	C 2014 Amended	D 2014 Estimated	E 2015 Total Req.	F 2015 Total Rec.	G 2015 Appr. Cont.	H 2015 Appr. Exp.	I 2015 Total Appr.	J Variance	K Total % Inc./Dec.
Revenues											
Fees & Permits	1,009,820	1,334,464	1,126,050	1,601,994	1,501,300	1,508,300	1,508,300	0	1,508,300	382,250	34%
Intergovernmental	11,746,357	10,765,522	10,205,603	9,857,761	9,716,438	9,715,238	9,695,959	19,279	9,715,238	(490,365)	(5%)
Interest	183,400	205,691	155,185	371,294	341,140	346,140	346,140	0	346,140	190,955	123%
Grants/Donations	2,097,101	3,910,315	1,559,183	2,912,181	2,509,366	2,560,186	2,560,186	0	2,560,186	1,001,003	64%
Miscellaneous	171,036	(444,797)	19,000	308,819	176,000	141,000	21,000	120,000	141,000	122,000	642%
Other Taxes/Licenses	1,346,951	1,507,934	1,356,950	1,583,802	1,339,723	1,334,923	1,334,902	0	1,334,902	(22,048)	(2%)
Property Tax	61,180,446	63,779,692	64,528,972	65,759,121	64,585,405	64,656,405	64,656,405	0	64,656,405	127,433	0%
Sales & Service	17,124,179	17,214,554	16,438,136	17,258,521	17,076,862	17,178,158	17,178,158	0	17,178,158	740,022	5%
Sales Tax	8,190,337	8,523,462	8,662,000	8,883,000	9,210,000	9,210,000	9,210,000	0	9,210,000	548,000	6%
Transfers	11,073,089	14,068,752	13,191,815	13,761,206	15,748,110	15,870,611	15,870,611	0	15,870,611	2,678,796	20%
Other Financing Sources	20,920,373	0	0	0	0	0	0	0	0	0	0%
Fund Balance	0	0	10,415,083	0	9,206,456	9,241,456	9,252,140	0	9,252,140	(1,162,943)	(11%)
Total Revenues	135,043,089	120,865,589	127,657,977	122,297,699	131,410,800	131,762,417	131,633,801	139,279	131,773,080	4,115,103	3%
Expenditures											
Salaries	16,796,614	17,821,070	19,772,406	18,695,831	20,264,643	20,567,048	20,528,317	68,329	20,596,646	824,240	4%
Other Personnel Costs	12,158,461	12,519,394	13,737,553	13,192,285	14,403,976	14,416,407	14,436,185	(13,745)	14,422,440	684,887	5%
Operating	49,061,308	51,528,710	59,368,694	53,832,717	59,764,875	59,354,041	56,731,543	2,597,530	59,329,073	(39,621)	0%
Debt	32,158,045	10,793,825	11,868,729	11,884,340	12,424,210	12,424,210	12,424,210	0	12,424,210	555,481	5%
Transfers	10,754,828	16,348,104	14,572,344	15,650,156	16,470,057	16,470,057	16,387,757	82,300	16,470,057	1,897,713	13%
Public Assistance/Grants/Special Programs	6,125,128	5,037,468	7,450,439	5,899,068	7,383,134	7,367,734	7,066,734	301,000	7,367,734	(82,705)	(1%)
Capital Outlay	2,691,407	3,300,808	887,812	1,029,097	1,196,414	1,162,920	981,286	181,634	1,162,920	275,108	31%
Total Expenditures	129,745,791	117,349,379	127,657,977	120,183,494	131,907,309	131,762,417	128,556,032	3,217,048	131,773,080	4,115,103	3%

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