

## **INTRODUCTORY SECTION**

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# COUNTY OF CHATHAM

FINANCE OFFICE  
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VICKI S. McCONNELL  
Finance Officer  
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ORGANIZED 1770      707 SQUARE MILES

October 21, 2009

To the Board of County Commissioners and Citizens of Chatham County, North Carolina:

State law requires that all local governments publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published for the fiscal year ended June 30, 2009.

Generally accepted accounting principles require that management provide a narrative introduction, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the Management Discussion and Analysis and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

Responsibility for the accuracy, completeness and fairness of the presentations, including all disclosures, rest with the County. We believe the data, as presented, is accurate in all material respects and fairly present the County's financial position and results of operations.

Martin, Starnes & Associates, CPAs, a firm of licensed Certified Public Accountants, have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

## *Description of the County*

Founded in 1771 and located at the geographic center of the state, Chatham County encompasses an area of 707 square miles. The County borders Orange, Durham, Wake, Lee, Moore, Randolph, and Alamance counties and is situated between two of the State's three largest centers of population and commerce, the Research Triangle and the Piedmont Triad.

The proximity to these two areas continues to promote population growth and keep the County's economy healthy. New residents are attracted to the County because of its rural quality of life coupled with close proximity to major metropolitan areas and employment centers. The County's 2008 population was estimated at 63,077. By 2030, the State estimates that the County's population will grow to 85,877.

Most of the County's population continues to reside in the unincorporated area, with only 19 percent of residents living in a municipality. The Town of Pittsboro with a population of 2,543 serves as the County seat.

The County operates under the manager form of government. Policy making and legislative authority are vested in a Board of Commissioners consisting of five members who are elected for four-year terms in even numbered years. The County Manager is appointed by the Board and is responsible for the administration of the affairs of the County. The County is responsible for and maintains a full range of services inherent in

the operation of a county government. These services include general government, public safety, human services, cultural and recreational activities, education, economic and physical development, and environmental protection. The County also operates a water system on a user charge basis. This report includes all the County's activities in maintaining these services.

The County operates under an annual budget ordinance, adopted in accordance with the provisions of the Local Government Budget and Fiscal Control Act. Budgetary control is maintained on a departmental basis and may be amended as changing conditions warrant.

### *Local economy*

The County retains a large agricultural base with a mixture of industrial, tourism, and service businesses helping support the County's economy. Strong economic influences in surrounding areas, such as Cary, Chapel Hill, Durham, Raleigh, and the Research Triangle Park have a positive effect on the growth of the County's population and economy, especially in the northern and eastern sections of the County. These neighboring areas provide much of the employment for as much as 55 percent of the County resident labor force. Within the County, the manufacturing sector accounts for the largest percentage of jobs, approximately 34 percent. Major manufacturers include Townsends, Inc. and Performance Fibers. The service sector provides another 30 percent of jobs in the County. Major service employers include Chatham County Schools and Carolina Meadows.

Agriculture and agribusiness (food, fibers and forestry) remain significant in the local economy. The County ranks ninth in the state in income from livestock, dairy and poultry and ranks fifteenth in the state in total farm income. Chatham County ranks eleventh in the state in the number of farms, with 27 percent of the County's total acreage in farmland. While most farms range in size from 10 to 49 acres, the total number of acres used for farming has changed very little when compared to 1997. The County still has a fairly strong agricultural economy due to 1) a growing number of small sustainable farms focused on specialty products such as organic farming, herbs, cut flowers, unique produce, and diverse nurseries; and 2) continued strength in cattle and broiler chicken production. The County ranks number one in the state in beef cattle (third in overall cattle production) and fifth in broiler production. The growth of feed crops also helps promote the livestock industry. The horticulture industry in the County is diverse and includes some very specialized niche nurseries that produce aquatic/wetlands plants, Asian herbs, shady perennials, crinums, daylilies, orchids, exotic ferns, trees and shrubs.

In an attempt to further diversify its industrial employment base, the County has completed the construction phase of the Chatham County Business Campus near the intersection of US 64 and US 421 in Siler City. The County is optimistic that the presence of the hospital and community college will help attract other health-related facilities to the Business Campus. The County has contracted with a large regional commercial broker to market the property.

Several major highways (US 15-501, US 1, US 64, and US 421) and numerous state roads access the County and link it to Interstates 40 and 85. The area is served by major freight carriers, bus lines and delivery services, and air transportation is less than one hour away from Raleigh-Durham International Airport in the heart of the Research Triangle Region and Piedmont Triad International Airport in Greensboro. The Blair Municipal Airport located in Siler City has a 5,000 foot paved, lighted runway with instrument approach capability and can accommodate small business aircraft. A "reliever airport" located in neighboring Lee County is in close proximity to the Moncure industrial area in the southeastern portion of the County.

### *Financial Information*

County management is responsible for establishing and maintaining an internal control structure that is designed to provide reasonable assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; (2), the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles and maintaining accountability for assets; and (3)

compliance with applicable laws and regulations related to federal and state financial assistance programs. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management.

#### *Long-term financial planning*

The County updates annually during the budget process its five year Capital Improvements Program (CIP). The CIP is a systematic way of anticipating, planning, and budgeting for major capital projects. The CIP includes all major projects costing \$25,000 or more. The CIP includes summaries of all major projects and detailed descriptions of each project, including justifications, cost detail, funding sources, and impact on the operating budget.

#### *Major Initiatives*

Chatham County spent much of fiscal year 2008-09 struggling with a faltering economy that has impacted local governments across the nation, even though the demand for services increased, particularly in human services and law enforcement. The county took immediate steps to curtail spending by requiring departments to revert 4% of their operating budgets, freezing most vacant positions, putting several capital projects on hold, and limiting all but essential travel. These steps helped the county end the year with a \$695,283 budget surplus. In spite of the poor economy and the need for fiscal constraint, the county made progress on several fronts.

#### Economic Development

With the support of the Board of Commissioners, the Chatham County Economic Development Corporation (EDC) began implementation of a strategic plan for economic development. The strategic plan identified seven specific types of industries and businesses to target based on the County's competitive advantage and identified resources needed to effectively promote the county to potential businesses. EDC formed three committees to attract new business, retain existing business, and develop entrepreneurs.

Uniboard Expands Plant—In August, EDC announced that Uniboard Canada Inc. had purchased a plant in Moncure and would invest \$142 million to recondition the existing facility and \$120 million to build a new facility. The expansion will create 104 new jobs over three years and preserve 146 existing jobs in the Moncure area. Uniboard Canada Inc. is an internationally known manufacturer of pressed wood products headquartered in Laval, Canada. A subsidiary of Pfleiderer AG in Germany, Uniboard manufactures decorative laminates, panels and related products.

Business Campus Completed— The county completed an \$8.2 million project to provide water, sewer and roads for the Central Carolina Business Campus in Siler City, which has 10 to 15 remaining sites for businesses. A major tenant is Chatham Hospital, which opened its new 25-bed facility and emergency center on the campus in July. The Chatham Youth Center also is housed there. Central Carolina Community College is also building a facility on the campus.

EDC Receives Biodiesel Grant—In March, the EDC received a one-year grant of \$197,000 from the North Carolina Biofuels Center to conduct enzymatic biodiesel production. While the EDC will administer the grant, project work will be performed by Piedmont Biofuels Industrial, a local biodiesel producer, in partnership with Novozymes, a global leader in biotechnology innovation and the world's largest manufacturer of enzymes. Chatham County is a leader in biodiesel research. Piedmont Biofuels already had started building a second lab on its Pittsboro Campus to accommodate its current research and analysis needs.

Entrepreneur Loan Fund Established—The EDC, in partnership with the Center for Community Self-Help, established the Chatham Loan Fund to help finance loans to entrepreneurs in Chatham County.

County Tourism Revenue Grows—According to the NC Division of Tourism, Film and Sports Development, overnight visitors to Chatham County spent \$25.35 million in 2008, an increase of 2.1

percent from 2007. Total payroll generated by the tourism industry in Chatham County reached \$3.27 million, with more than 170 jobs directly attributed to tourism. Tourism-related state tax revenue generated in Chatham County totaled \$1.45 million, which includes state sales and excise taxes, and taxes on personal and corporate income.

EDC Hosts Opportunity Chatham -- The NC Secretary of Commerce spoke at EDC's "Opportunity Chatham" Meeting, which focused on the assets that Chatham County can offer businesses. The event showcased the county's excellent strategic location midway between the Piedmont Triad and the Research Triangle.

EDC Launches Redesigned Website—The EDC launched its newly enhanced and redesigned website at [www.chathamcdc.org](http://www.chathamcdc.org). The site redesign incorporates the EDC's recent rebranding campaign and a new business resource, Chatham Prospector, a web-based GIS mapping and marketing tool for commercial building and sites.

CVB Wins Four Awards—The Pittsboro-Siler City Convention & Visitors Bureau won four destination marketing awards, including the Gold Award for their interactive visitor brochure; the Platinum Award for their electronic newsletter, Tourism ChitCHAT; and two Innovation in Tourism Awards. The Destination Marketing Association of North Carolina sponsored the awards

#### Civic Engagement

In fiscal year 2008-09, Chatham County continued efforts to involve citizens in county government.

Citizen Survey Shows Positive Results—The county undertook its first major survey of its residents, with 590 respondents representing a strong cross-section of the county. Nearly all categories of residents gave Chatham County good marks as: a place to live, raise children, retire and overall quality of life. More than 75% reported that their county customer service experiences were positive and more than half of these were rated "excellent."

County Launches Government Access Channel—Chatham County has launched a public access channel through Time Warner Cable as another avenue to communicate with residents in the company's service area. The system will be fully paid for through fees collected by Time Warner Cable and through state cable access funding and state support of government access channels. The channel provides rotating information on Chatham County officials, programs and services, upcoming commissioner meetings, parks and recreation events, and other activities. The channel also offers information on Chatham County Schools and basic information on the town governments, especially Pittsboro since Time Warner serves the town.

Survey Feature Added to Website—A new survey feature added to the county's website allowed the citizen survey and 12 other public surveys to be conducted.

#### Land Use Planning and Environment

On Dec. 1, 2008, the Chatham County Board of Commissioners adopted major revisions to existing land use and environmental ordinances and regulations (Zoning Ordinance, Subdivision Regulations, Soil Erosion & Sedimentation Control Ordinance, and Watershed Ordinance) and also adopted a new Stormwater Ordinance. Nearly two years of work by dozens of Chatham County advisory board members and staff culminated in the adoption of major revisions of land use and environmental ordinances and regulations. As part of the board meeting, the Board of Commissioners hosted a reception and presented certificates of appreciation to members of the Planning Board and Environmental Review Board as well as technical advisors to these boards. Highlights of the adopted ordinances and regulations include:

##### Subdivision Regulations:

- Increased citizen and neighbor input, especially early in the process, which allows the developer to identify and address major concerns before substantial investments of time and money have been made.
- Established rewards for innovative designs, such as developments that meet environment-friendly conservation standards.

- Permitted higher density clustering for conservation developments, which must provide specified amounts of open space and provide enhanced protection of wildlife corridors, identified natural areas, stream buffers and floodplains.
- Encouraged road connectivity between subdivisions to ease traffic and promote public safety.

Zoning Ordinance (changes did not impact light & heavy industrial districts and compact communities):

- Created three new business zoning districts (neighborhood, community and regional).
- Created a Table of Uses in a user-friendly format to show allowed uses for each zoning classification.
- Established new landscaping and buffer guidelines for specific uses, based on recommendations of the Appearance Commission.

Soil Erosion & Sedimentation Control Ordinance:

- Required those disturbing 20,000 square feet of land (reduced from one acre) to submit a soil erosion & sedimentation control plan to the county and obtain a land disturbing permit; also required new home construction disturbing up to 25,000 square feet to obtain a residential lot disturbance permit.
- Provided additional standards for land disturbance activities on steep and moderate slopes, with the maximum slope defined for graded areas.
- Reduced the timeframe for stabilizing exposed soil to 15 days (shorter time for steep and moderate slopes).
- Authorized the county to issue a “stop work” order and to revoke a land-disturbing permit if the site is not in compliance.

Stormwater Ordinance (new ordinance):

- Required all development disturbing 20,000 square feet of land to comply, but with exemptions for: single-family residences; agricultural, forestry and horticultural activities; emergency operations; and projects already approved by the county.
- Provided stormwater system design standards that include using best management practices (BMPs) for stormwater management after development. The standards address both water quality and water quantity issues.

Related land use regulation work will be finalized over the next few months, including: revising and adopting a proposed major corridor plan for six highways in the county; revising the county’s land use plan based on new or revised ordinances and regulations; producing a new comprehensive land use map; and developing an affordable housing plan and related ordinance for the county.

#### Intergovernmental Initiatives:

Joint Planning with Cary Continues—The Board of Commissioners continued efforts to develop a joint land use plan with the Town of Cary, which now includes a section of Chatham County.

New Water Agreement with Durham Saves Money—The Public Works Department negotiated a water purchase agreement with the City of Durham, which eliminated the need for the county to upgrade its water plant and transmission system immediately. This action saved one cent on the property tax rate. The agreement allows the county to purchase one million gallons per day starting March 1, 2009 and increases each year by one million gallons per day to four million gallons per day by March 1, 2012. The agreement runs through 2028 or until Chatham County water completes additional production facilities, whichever comes first.

Chatham Enters Regional Water Partnership—Chatham County also joined Durham and other regional partners to begin a process for building a water intake and treatment plan on the west side of Jordan Lake.

#### County Organization

Sustainable Communities Department Created—County Commissioners created a new department in fiscal year 2009 to coordinate planning, environmental resources, soil erosion & sedimentation control, central permitting, transportation, green building and affordable housing. The new department will aid the implementation of several major county initiatives that cut across several functional areas. A major goal of the Sustainable Communities Department is to develop and implement a long-term comprehensive

community sustainability plan for Chatham County that will integrate sustainable practices in the day-to-day operations of county government.

Infrastructure

County Completes New Social Services Addition—A 21,500-square-foot expansion and the renovation of existing space was completed in the fall. The \$5.8 million project addressed such problems as overcrowded and outdated office spaces, inadequate heating and cooling systems, insufficient storage of client records, and roof leakage. The completed facility should meet social services office needs for 20 years.

County Purchases Office Building—At a cost of \$3.4 million, the County purchased a 33,000-square-foot building to provide office space for county departments that have been housed in rental space. Departments that have or will move into the facility include Public Works, Community Relations, and Human Relations. Economic Development, Tourism, and Facilities Management. Currently, more than one-half of the building is leased. Rental income and savings from paying rent will offset the debt service payments. The county has been moving departments into the building as their leases expire. The building will help the county address the problem of inadequate space for a number of departments.

Parks & Recreation Department Receives Grant for Park Construction—Chatham County’s Parks and Recreation Department received a \$500,000 grant from the N.C. Parks and Recreation Trust Fund (PARTF) to begin construction of the initial phase of a multi-purpose county park in the northeastern part of the county. Chatham County received the full amount requested and the maximum award provided by PARTF. The 66-acre park is located on Big Woods Road. The Chatham County Board of Commissioners provided matching funds through a new park facilities capital reserve. The initial phase of construction is expected to include a baseball field, multi-purpose field (which can be used for soccer and football practices), concession center with restrooms, picnic shelter, ¼-mile walking trail, playground, parking area, entry road and utilities. However, some adjustments may be made based on additional studies of the 66-acre property and the availability of funds.

*Awards and Acknowledgements*

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Chatham County for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the 20<sup>th</sup> consecutive year that the County has received this award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the certificate of achievement program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments – We appreciate the assistance and dedication of the Finance Department throughout the preparation of this report. We would like to thank all members of departments for contributions they provided and the County’s independent certified public accountants, Martin Starnes & Associates CPAs, PA, for their assistance and guidance during the report’s preparation. We would also like to thank the members of the Board of Commissioners for their continued support throughout the past year.

Respectfully submitted,



Charlie Horne  
County Manager



Vicki McConnell  
Finance Officer

*Chatham County, North Carolina  
Principal Officials  
June 30, 2009*

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*Board of County Commissioners*

<i>George Lucier</i>	<i>Chairman</i>
<i>Sally Kost</i>	<i>Vice Chairman</i>
<i>Mike Cross</i>	<i>Commissioner</i>
<i>Carl Thompson</i>	<i>Commissioner</i>
<i>Thomas Vanderbeck</i>	<i>Commissioner</i>

*County Officials:*

<i>Charlie Horne</i>	<i>County Manager</i>
<i>Renee Paschal</i>	<i>Assistant County Manager</i>
<i>Vicki McConnell</i>	<i>Finance Officer</i>
<i>Richard Webster</i>	<i>Sheriff</i>
<i>Treva Seagroves</i>	<i>Register of Deeds</i>
<i>Sandra Coletta</i>	<i>Social Services Director</i>
<i>Holly Coleman</i>	<i>Health Director</i>
<i>Dawn Stumpf</i>	<i>Elections Director</i>
<i>Cynthia Van Der Wiele</i>	<i>Sustainable Communities Director</i>
<i>David Hughes</i>	<i>Public Works Director</i>
<i>Tina Stone</i>	<i>Property Tax Administrator</i>
<i>Tony Tucker</i>	<i>Emergency Operations Director</i>
<i>Mark Ellington</i>	<i>Information Services Director</i>
<i>Linda Clarke</i>	<i>Library Services Director</i>
<i>Tracy Burnett</i>	<i>Recreation Director</i>
<i>Neha Shah</i>	<i>Tourism Coordinator</i>
<i>Angel Dennison</i>	<i>Senior Services Director</i>
<i>Dianne Reid</i>	<i>Economic Development Director</i>
<i>Mike Sturdivant</i>	<i>District Conservationist</i>

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Chatham  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

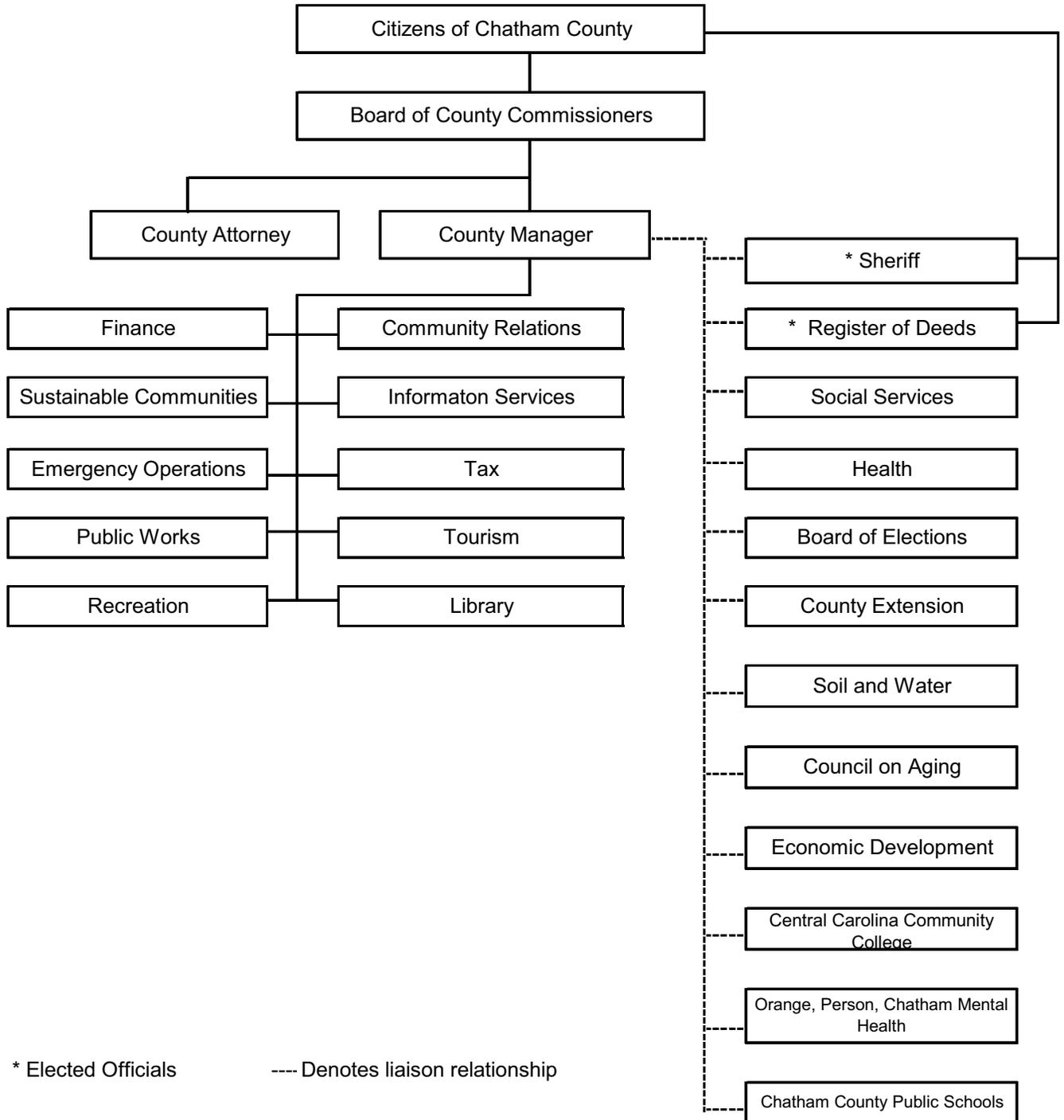
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**Chatham County  
 Organization Chart  
 Fiscal Year Ended June 30, 2009**



\* Elected Officials

---- Denotes liaison relationship

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