

FINANCIAL SECTION

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MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Chatham County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chatham County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chatham County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Chatham County ABC Board which, represents 100%, respectively, of the net assets, fund balance and revenues of the component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinion, insofar as it related to the amounts included for the Chatham County ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Chatham County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Chatham County, North Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where appropriate, thereof, and the respective budgetary comparison for the General Fund and Impact Fees Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2011, on our consideration of Chatham County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Chatham County, North Carolina as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, and supplemental ad valorem tax schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 31, 2011

Management's Discussion and Analysis

As management of Chatham County, we offer readers of Chatham County's financial statements this narrative overview and analysis of the financial activities of Chatham County for the fiscal year ended June 30, 2011. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

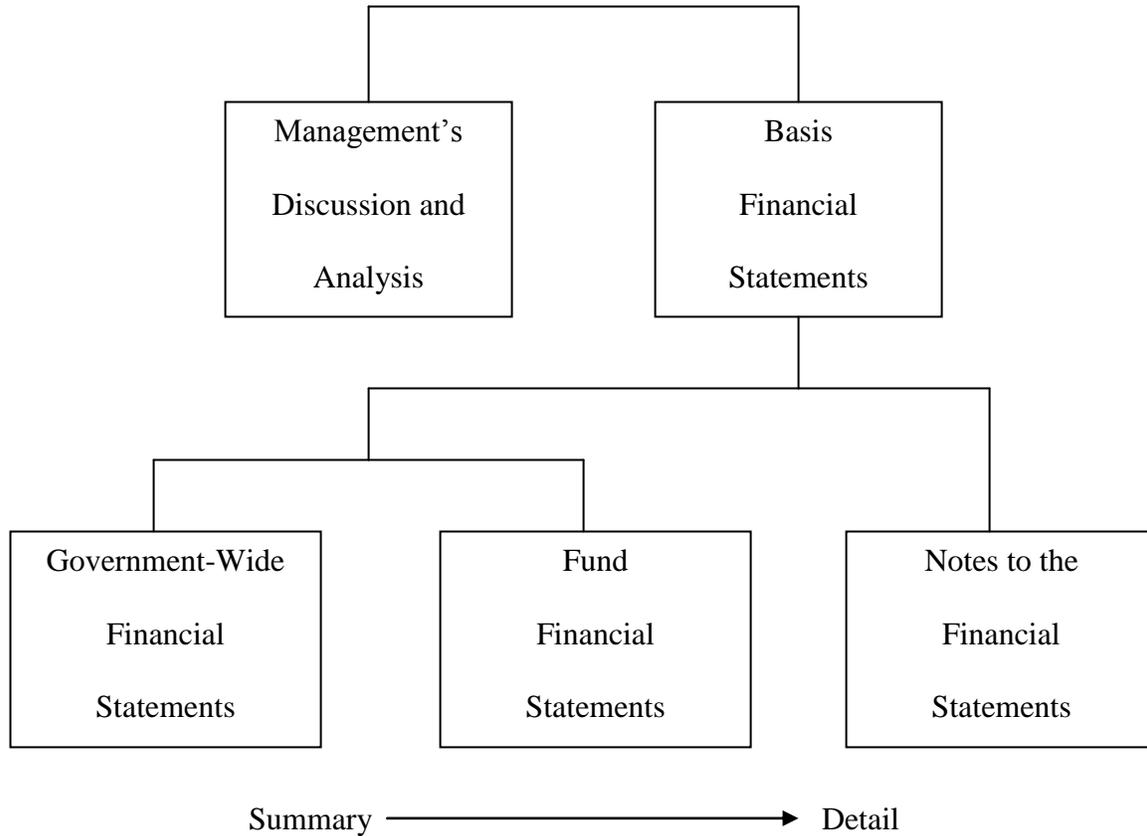
- The assets of Chatham County exceeded its liabilities at the close of the fiscal year by \$125,312,531 (*net assets*). The assets of the governmental activities exceeded liabilities by \$69,548,467, and the assets of the business-type activities exceeded liabilities by \$55,764,064.
- The government's total net assets increased by \$9,466,859, primarily due to the accumulation of funds from various sources for future capital projects.
- As of the close of the current fiscal year, Chatham County's governmental funds reported combined ending fund balances of \$66,169,448, a decrease of \$3,181,639 in comparison with the prior year. Approximately 20 percent of this total amount, or \$13,237,983, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,224,665, or 25 percent of total General Fund expenditures for the fiscal year.
- Chatham County's total debt increased by \$976,645 during the current fiscal year.
- Chatham County maintained its Aa2 bond rating from Standard & Poor's and its AA+ bond rating from Moody's.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension plans. After the required supplemental information, **supplemental schedules** are provided to show details about the County's nonmajor governmental funds and the Internal Service Fund, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide statements are the Statement of Net Assets and the Statement of Activities. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition. Over time, increases or decreases in net assets help to determine whether the County's financial position is improving or deteriorating. The Statement of Activities presents information which shows how the County's net assets changed during the most recent fiscal year.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the County's basic services such as public safety, human services, education, parks and recreation, and general administration. Property taxes, sales and other taxes, and State and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the utility and solid waste management services offered by Chatham County. The final category is the component unit. Although legally separate from the County, the Chatham County Board of Alcoholic Beverage Control is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are on Exhibits A and B of this report.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds. Chatham County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Chatham County uses enterprise funds to account for its utility activity and for its solid waste management operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an Internal Service Fund to account for one activity – its Self-Insurance Fund. Because this operation benefits predominantly governmental rather than business-type activities, the Internal Service Fund has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the utility and solid waste management activities, both of which are considered to be major funds of the County.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Chatham County has six fiduciary funds, a Pension Trust Fund, and five agency funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Chatham County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 64-66 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the County as a whole.

Chatham County Statement of Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 76,501,451	\$ 80,526,329	\$ 26,226,077	\$ 27,082,358	\$ 102,727,528	\$ 107,608,687
Capital assets	95,731,600	81,158,598	53,815,075	54,411,478	149,546,675	135,570,076
Total assets	<u>172,233,051</u>	<u>161,684,927</u>	<u>80,041,152</u>	<u>81,493,836</u>	<u>252,274,203</u>	<u>243,178,763</u>
Liabilities:						
Long-term liabilities						
outstanding	92,629,727	90,667,292	22,486,233	24,758,255	115,115,960	115,425,547
Other liabilities	10,054,857	9,643,571	1,790,855	2,263,973	11,845,712	11,907,544
Total liabilities	<u>102,684,584</u>	<u>100,310,863</u>	<u>24,277,088</u>	<u>27,022,228</u>	<u>126,961,672</u>	<u>127,333,091</u>
Net Assets:						
Invested in capital assets, net of related debt	32,810,111	15,859,270	32,259,505	30,882,753	65,069,616	46,742,023
Restricted	7,136,044	10,842,494	-	-	7,136,044	10,842,494
Unrestricted	29,602,312	34,672,300	23,504,559	23,588,855	53,106,871	58,261,155
Total net assets	<u>\$ 69,548,467</u>	<u>\$ 61,374,064</u>	<u>\$ 55,764,064</u>	<u>\$ 54,471,608</u>	<u>\$ 125,312,531</u>	<u>\$ 115,845,672</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Chatham County exceeded liabilities by \$125,312,531 as of June 30, 2011. The County's net assets increased by \$9,466,859 for the fiscal year ended June 30, 2011. A portion of the County's net assets represents the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), net of any related debt still outstanding that was issued to acquire those items. Chatham County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Chatham County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. One of the largest portions of Chatham County's net assets \$7,136,044 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$53,106,871 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.73%, which is higher than the statewide average of 97.05% for counties of similar size population.
- The continued accumulation of funds in the Capital Improvement Reserve Fund – The Commissioners continued to set aside an equivalent of five cents on the tax rate to fund future capital projects, including a new library and judicial facility.

The County's total revenues and expenses for governmental and business-type activities are reflected in Figure 3.

Chatham County Changes in Net Assets

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,825,238	\$ 5,433,770	\$ 9,794,810	\$ 8,746,482	\$ 14,620,048	\$ 14,180,252
Operating grants and contributions	10,818,468	12,985,978	-	580,610	10,818,468	13,566,588
Capital grants and contributions	-	88,350	-	797,520	-	885,870
General revenues:						
Property taxes	59,903,369	56,250,972	-	-	59,903,369	56,250,972
Local option sales tax	7,879,070	8,063,692	-	-	7,879,070	8,063,692
Other taxes	667,747	666,961	-	-	667,747	666,961
Grants and contributions, not restricted to specific programs	1,680,291	510,701	-	-	1,680,291	510,701
Investment earnings	157,610	448,324	42,246	80,987	199,856	529,311
Other	966,652	828,363	-	-	966,652	828,363
Total revenues	<u>86,898,445</u>	<u>85,277,111</u>	<u>9,837,056</u>	<u>10,205,599</u>	<u>96,735,501</u>	<u>95,482,710</u>
Expenses:						
General government	10,222,252	10,818,058	-	-	10,222,252	10,818,058
Public safety	18,684,461	16,990,469	-	-	18,684,461	16,990,469
Economic and physical development	2,784,443	2,942,520	-	-	2,784,443	2,942,520
Human services	16,811,310	16,982,791	-	-	16,811,310	16,982,791
Cultural and recreational	1,287,933	1,492,221	-	-	1,287,933	1,492,221
Education	27,098,335	26,912,507	-	-	27,098,335	26,912,507
Interest on long-term debt	4,203,953	4,338,047	-	-	4,203,953	4,338,047
Utility	-	-	5,790,341	5,452,801	5,790,341	5,452,801
Solid waste management	-	-	2,860,614	2,614,383	2,860,614	2,614,383
Total expenses	<u>81,092,687</u>	<u>80,476,613</u>	<u>8,650,955</u>	<u>8,067,184</u>	<u>89,743,642</u>	<u>88,543,797</u>
Increase in net assets before transfers	5,805,758	4,800,498	1,186,101	2,138,415	6,991,859	6,938,913
Transfers	<u>(106,355.00)</u>	<u>(769,779.00)</u>	<u>106,355.00</u>	<u>769,779.00</u>	<u>-</u>	<u>-</u>
Extraordinary item - insurance recovery	<u>2,475,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,475,000</u>	<u>-</u>
Increase in net assets	8,174,403	4,030,719	1,292,456	2,908,194	9,466,859	6,938,913
Net Assets:						
Beginning of year - July 1	<u>61,374,064</u>	<u>57,343,345</u>	<u>54,471,608</u>	<u>51,563,414</u>	<u>115,845,672</u>	<u>108,906,759</u>
End of year - June 30	<u>\$ 69,548,467</u>	<u>\$ 61,374,064</u>	<u>\$ 55,764,064</u>	<u>\$ 54,471,608</u>	<u>\$ 125,312,531</u>	<u>\$ 115,845,672</u>

Governmental Activities. Governmental activities increased the County's net assets by \$8,174,403, thereby, accounting for 86% of the total growth in the net assets of Chatham County. A key element in this increase was the continued reservation of funds for future capital projects. The County also received \$2,475,000 in insurance proceeds for the future repair of the County's fire damaged historical Courthouse.

Business-Type Activities. Business-type activities increased Chatham County's net assets by \$1,292,456, accounting for 14% of the total growth in the government's net assets.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Chatham County. At the end of the current fiscal year, Chatham County's fund balance available in the General Funds was \$20,301,511, while total fund balance was \$24,004,784. As a measure of the General Fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 26.2 percent of total General Fund expenditures, while total fund balance represents 30.97 percent of that same amount.

At June 30, 2011, the governmental funds of Chatham County reported a combined fund balance of \$66,169,448, a 5 percent decrease over last year. The primary reason for this decrease was a \$10,268,937 decrease in debt obligations issued.

The Impact Fees Fund balance decreased by \$2,246,818 and the Capital Improvement Capital Project Reserve Fund balance increased by \$2,538,845. A transfer was made from the impact fee fund to cover the debt service payment for new school facilities resulting in a decrease in the fund balance. The increase in the Capital Improvement Reserve Fund was the result of a net transfer from the General Fund into the Capital Improvement Reserve Fund.

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

Total amendments to the General Fund increased revenues by \$1,768,116 and expenditures by \$3,414,280.

Operating revenues of the General Fund were \$1,849,434 more than the final budgeted amount. Although property tax revenue and sales tax revenue exceeded budgeted amounts by \$1,114,885 and \$635,670 respectively the County saw a decline in anticipated restricted intergovernmental revenue of \$682,943.

The actual expenditures within the General Fund totaled \$5.8 million less than appropriated.

Proprietary Funds. Chatham County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Utility Fund at the end of the fiscal year amounted to \$19,212,412 and those for the Solid Waste Management Fund equaled \$3,781,038 while the Southeast Water District Fund equaled \$511,109. The net assets for the Utility Fund increased \$927,417, and the Solid Waste Management Fund's net assets increased \$285,087 while the Southeast Water District Fund increased \$79,952 for the year ended June 30, 2011. The County transferred \$106,355 from the Community Development Fund to the Utility Fund. This money was originally transferred from the Utility Fund to help fund the 3M Reuse Project.

Capital Asset and Debt Administration

Capital Assets. Chatham County's capital assets for its governmental and business-type activities as of June 30, 2011, total \$149,546,675 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, vehicles, and infrastructure for utility and solid waste management services.

Major capital asset transactions during the year include:

- Purchased new vehicles and equipment for the Sheriff's Department
- Construction of new library, judicial facility, Central Carolina Community College facilities, and a new middle school

Chatham County's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Non-Depreciable Assets:						
Land	\$ 7,386,222	\$ 7,289,318	\$ 916,528	\$ 916,528	\$ 8,302,750	\$ 8,205,846
Construction in progress	52,204,348	38,809,133	21,369,450	26,205,800	73,573,798	65,014,933
Depreciable Assets:						
Buildings	33,090,546	31,372,325	2,099,169	2,444,641	35,189,715	33,816,966
Infrastructure:						
Wells and water lines	-	-	28,746,402	23,917,497	28,746,402	23,917,497
Equipment and vehicles	3,050,484	3,687,822	683,526	927,012	3,734,010	4,614,834
Total	<u>\$ 95,731,600</u>	<u>\$ 81,158,598</u>	<u>\$ 53,815,075</u>	<u>\$ 54,411,478</u>	<u>\$ 149,546,675</u>	<u>\$ 135,570,076</u>

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

Long-Term Debt. As of June 30, 2011, Chatham County had total bonded debt outstanding of \$11,320,000 all of which is debt backed by the full faith and credit of the County. In addition, the County incurred additional installment debt in the amount of \$6,781,063, consisting of \$4,396,129 Quality School Construction Bonds to be used for roof replacements and restroom renovation in several schools throughout the County and \$2,384,634 interim financing for the new judicial facility

Chatham County's Outstanding Debt General Obligation Bonds and Other Long-Term Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 8,120,000	\$ 9,835,000	\$ 3,200,000	\$ 3,200,000	\$ 11,320,000	\$ 13,035,000
Other long-term obligations	88,093,680	83,181,133	20,202,661	22,423,563	108,296,341	105,604,696
Total	<u>\$ 96,213,680</u>	<u>\$ 93,016,133</u>	<u>\$ 23,402,661</u>	<u>\$ 25,623,563</u>	<u>\$ 119,616,341</u>	<u>\$ 118,639,696</u>

Chatham County's bonded debt decreased by \$1,715,000 during the past fiscal year, due to principal payments on existing debt.

As mentioned in the financial highlights section of this document, Chatham County maintained its AA+ bond rating from Moody's Investor Service to and its Aa2- rating from Standard & Poor's Corporation.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Chatham County is \$695,485,964.

Additional information regarding Chatham County's long-term debt can be found in Note 3 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- As of 2009, the latest data available, Chatham County has the second highest per capita income in the State - 23% higher than the State average.
- In spite of job losses, Chatham County's unemployment rate (7.6% in August 2011) continues to trend well below the State (10.4%) and nation (9.1%). However, the August 2011 rate is 1.2% higher than the August 2010 rate. The County's August 2011 rate ranked fifth lowest in the State.
- The County's property tax rate remained the same from FY 2011 to 2012: 62.19 cents/\$100 valuation of property. Property values are projected to increase 2% overall, as follows:
 - Real property, 2% increase
 - Public utility values, 0% increase
 - Motor vehicles, 4% increase; and
 - Personal property, 1.7% decrease (because a large industry under construction in FY 2011 listed equipment as "construction in progress," resulting in 100% valuation. This year the equipment is subject to depreciation.
- Data for FY 2012 is not available, but in FY 2011, the second year of its revaluation cycle, Chatham County ranked 19th out of 100 counties in property valuation per capita at \$138,529 (which is 26% higher than the State average).
- In order to relieve counties of their Medicaid obligations, the State of North Carolina took part of County sales tax and changed how another part is distributed. This change caused sales tax revenues to decline overall by 2% from FY 2010 to FY 2011. However, when these changes are controlled for, the County experienced a 6% increase in sales tax revenues from FY 2010. The sales tax distributed based on where collected grew by 7% compared to 4% statewide growth. The County is projecting that sales tax revenues will be about 2.5% higher in FY 2012.
- Building permit revenue increased 63% between FY 2010 and FY 2011, but overall permits declined 15%. The increase in revenue results from several large commercial projects in FY 2011. For FY 2012, staff projected the number of permits to remain about the same as FY 2011. Register of Deeds' stamps, which are paid when properties are sold within the County, were down 37% in FY 2009, 6% in FY 2010, and 1% in FY 2011. Staff is projecting another slight decline in FY 2012.

Budget Highlights for the Fiscal Year Ending June 30, 2012

Governmental Activities. Two main forces drove the FY 2011-2012 budget:

- First, at the budget retreat, the Board of Commissioners directed the County Manager to reduce the budget and to focus on eliminating unnecessary programs. The FY 2012 budget was \$1.5 million less than the originally adopted FY 2011 budget. Chatham County Schools was the only department exempt from identifying budget cuts.
- Second, in FY 2013, a new justice center and a new jail will increase operating expenses by an estimated \$1.6 to \$2.4 million. The reduction in the FY 2012 budget will place the County in a better position to absorb these costs in FY 2013 without a major tax increase.

The FY 2012 budget does have an impact on employees and services, though the impact on priority and mandated services is minimal. The budget eliminated 14 full and part-time positions.

The divisions formerly organized under Sustainable Communities have been restructured. The divisions of Planning and Central Permitting have been restored to departments. The transportation planning function has been moved to the Planning Department. The divisions of Sedimentation and Erosion Control and Environmental Resources have been consolidated under the supervision of a new Environmental Services Department, which combines waste management and water quality. Finally, the Affordable Housing/Green Building Specialist position has been redesigned. While the position will continue to handle these functions, it will assume the role of ombudsman for new development projects, a need identified by Commissioners during the retreat.

In summary, the FY 2012 budget places the County in a better position to handle unknown State budget impacts, continue to provide priority and mandated services, and meet future obligations without over-burdening taxpayers. As a result, 75% of the County's resources are devoted to mandated programs, versus 71% in FY 2011.

Request for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, County of Chatham, Post Office Box 608, Pittsboro, North Carolina 27312.