

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Chatham County
Pittsboro, North Carolina

Report On the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise Chatham County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 financial statements are free from material misstatement. The financial statements of the Chatham County ABC Board were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Impact Fees Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officer's 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 the 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chatham County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, and statistical section 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, budgetary schedules, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures; including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of Chatham County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chatham County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 26, 2013

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, 2013. 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

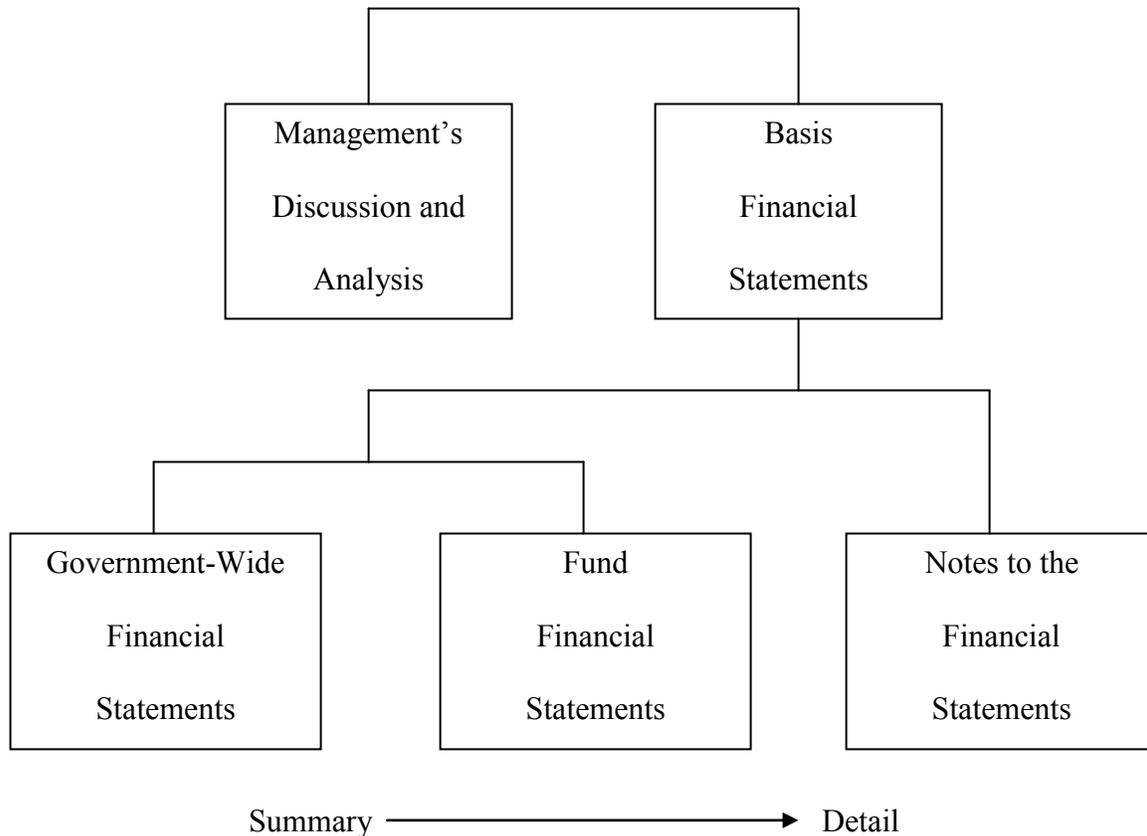
- The assets and deferred outflows of resources of Chatham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$133,165,672 (*net position*). The assets of the governmental activities exceeded liabilities by \$74,296,574, and the assets of the business-type activities exceeded liabilities by \$58,869,098.
- The government's total net position increased by \$8,783,610, primarily due to the accumulation of funds from various sources for future capital projects and increases in business type activities net position.
- As of the close of the current fiscal year, Chatham County's governmental funds reported combined ending fund balances of \$80,417,614, an increase of \$14,436,573 in comparison with the prior year. Approximately 24.87 percent of this total amount, or \$20,001,062, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20,175,793 or 23 percent of total General Fund expenditure and transfers out for the fiscal year.
- Chatham County's total debt increased by \$14,790,895 during the current fiscal year.
- Chatham County maintained its AA+ bond rating from Standard & Poor's and its Aa2 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 report the County's net position and how it has changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net assets is one way to gauge the County's financial condition.

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 Position 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 Position 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.

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 65-67 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 Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 91,952,073	\$ 78,717,334	\$26,731,020	\$27,515,140	\$ 118,683,093	\$ 106,232,474
Capital assets	112,153,396	101,339,333	53,940,033	52,866,417	166,093,429	154,205,750
Total Assets	204,105,469	180,056,667	80,671,053	80,381,557	284,776,522	260,438,224
Long-term liabilities outstanding	124,542,084	100,982,745	21,080,275	20,966,361	145,622,359	121,949,106
Other liabilities	4,827,569	11,611,543	721,680	2,000,621	5,549,249	13,612,164
Deferred inflows of resources	439,242	494,892	-	-	439,242	494,892
Total liabilities and deferred inflows of resources	129,808,895	113,089,180	21,801,955	22,966,982	151,610,850	136,056,162
Net position:						
Net investment in capital assets	34,705,133	23,297,981	33,240,609	30,745,494	67,945,742	54,043,475
Restricted	20,001,062	7,002,729	-	-	20,001,062	7,002,729
Unrestricted	19,590,379	36,666,777	25,628,489	26,669,081	45,218,868	63,335,858
Total net position	\$ 74,296,574	\$ 66,967,487	\$58,869,098	\$57,414,575	\$ 133,165,672	\$ 124,382,062

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of Chatham County exceeded liabilities and deferred inflows by \$133,165,672 as of June 30, 2013. The County's net position increased by \$8,783,610 for the fiscal year ended June 30, 2013. A portion of the County's net position 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. A portion of Chatham County's net position \$20,001,062 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$45,218,868 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 97.70
- The continued accumulation of funds in the Capital Improvement Reserve Fund – The Commissioners continued to set aside an equivalent of five and one-half cents on the tax rate to fund future capital projects, including a new library completed in 2012, a judicial facility completed in 2013 and a new jail scheduled to be completed in 2014.

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

Chatham County Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues						
Charges for services	\$ 6,495,026	\$ 5,494,812	\$ 9,944,430	\$ 9,977,812	\$ 16,439,456	\$ 15,472,624
Operating grants and contributions	11,320,862	10,898,295	137,990	140,971	11,458,852	11,039,266
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	63,637,790	61,548,697	-	-	63,637,790	61,548,697
Sales taxes	8,523,462	8,190,337	-	-	8,523,462	8,190,337
Other taxes and licenses	776,265	672,927	-	-	776,265	672,927
Grants and contributions not restricted	1,998,194	2,077,526	-	-	1,998,194	2,077,526
Unrestricted investment earnings	166,260	154,371	52,092	49,293	218,352	203,664
Other	345,098	443,116	22,485	-	367,583	443,116
Total revenues	93,262,957	89,480,081	10,156,997	10,168,076	103,419,954	99,648,157
Expenses:						
General government	10,439,515	6,973,789			10,439,515	6,973,789
Public safety	20,060,250	19,891,626			20,060,250	19,891,626
Economic and physical development	1,980,219	2,750,430			1,980,219	2,750,430
Human services	15,530,646	15,694,203			15,530,646	15,694,203
Cultural and recreational	1,842,358	743,753			1,842,358	743,753
Education	32,680,272	43,711,018			32,680,272	43,711,018
Interest on long-term debt	4,219,127	4,076,098			4,219,127	4,076,098
Utility	-	-	5,008,867	4,909,100	5,008,867	4,909,100
Southeast water district			798,953	757,410	798,953	757,410
Solid waste management	-	-	2,906,654	2,851,055	2,906,654	2,851,055
Total expenses	86,752,387	93,840,917	8,714,474	8,517,565	95,466,861	102,358,482
Increase in net position before transfers	6,510,570	(4,360,836)	1,442,523	1,650,511	7,953,093	(2,710,325)
Transfers	(12,000)	-	12,000	-	-	-
Extraordinary item - insurance recovery	830,517	1,779,856	-	-	830,517	1,779,856
Change in net position	7,329,087	(2,580,980)	1,454,523	1,650,511	8,783,610	(930,469)
Net position:						
Beginning of year - July 1	66,967,487	69,548,467	57,414,575	55,764,064	124,382,062	125,312,531
End of year - June 30	\$ 74,296,574	\$ 66,967,487	\$58,869,098	\$57,414,575	\$ 133,165,672	\$ 124,382,062

Governmental Activities. Governmental activities increased the County's net position by \$7,329,087, thereby, accounting for 83% of the total growth in the net position of Chatham County. A key element in this increase was the continued reservation of funds for future capital projects and the increase in revenue generated by property taxes due to higher than anticipated growth in property values.

Business-Type Activities. Business-type activities increased Chatham County's net position by \$1,454,523, accounting for 17% of the total growth in the government's net position.

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 \$24,984,889 while total fund balance was \$28,887,825. 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 29 percent of total General Fund expenditures and transfers out, while total fund balance represents 33 percent of that same amount.

At June 30, 2013, the governmental funds of Chatham County reported a combined fund balance of \$80,417,614, a 22 percent increase over last year. The primary reason for this increase was an increase in debt obligations issued for the future construction of a jail facility scheduled to be completed in fiscal year 2014.

The Impact Fees Fund balance decreased by \$873,211, and the Capital Improvement Capital Project Reserve Fund balance increased by \$1,231,302. 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 \$3,243,118 and expenditures by \$2,838,701.

Operating revenues of the General Fund were \$3,096,262 more than the final budgeted amount. Although property tax revenue and sales tax revenue exceeded budgeted amounts by \$1,019,966 and \$487,462 respectively the County saw a decline in anticipated restricted intergovernmental revenue of \$158,753.

The actual expenditures within the General Fund totaled \$4.4 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 position of the Utility Fund at the end of the fiscal year amounted to \$20,967,395 and those for the Solid Waste Management Fund equaled \$4,478,372 while the Southeast Water District Fund equaled \$182,722. The net position for the Utility Fund increased \$1,436,582, and the Solid Waste Management Fund's net position increased \$233,331 while the Southeast Water District Fund decreased \$215,390 for the year ended June 30, 2013.

Capital Asset and Debt Administration

Capital Assets. Chatham County's capital assets for its governmental and business-type activities as of June 30, 2013, total \$166,093,429 (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
- Completed construction of the new judicial facility.
- Purchased land adjacent to Central Carolina Community College. Current plans are to construct a new agriculture center on the property.

Chatham County's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-Depreciable Assets:						
Land	\$ 12,642,176	\$ 10,468,462	\$ 916,528	\$ 916,528	\$ 13,558,704	\$ 11,384,990
Construction in progress	39,416,384	51,959,881	23,682,554	21,512,673	63,098,938	73,472,554
Depreciable Assets:						
Buildings	57,917,940	36,454,682	1,396,544	1,746,726	59,314,484	38,201,408
Equipment and vehicles	2,176,896	2,456,308	1,224,305	1,235,238	3,401,201	3,691,546
Infrastructure:						
Water lines	-	-	26,720,102	27,455,252	26,720,102	27,455,252
Total Assets	<u>\$ 112,153,396</u>	<u>\$ 101,339,333</u>	<u>\$53,940,033</u>	<u>\$52,866,417</u>	<u>\$ 166,093,429</u>	<u>\$ 154,205,750</u>

Additional information on the County's capital assets can be found in Note 2 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2013, Chatham County had total bonded debt outstanding of \$7,758,000 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 \$19,801,158, consisting of Limited Obligation Bonds of \$15,495,000 to be used for the construction of a new jail facility and a net increase in debt issued of \$4,306,158 for the construction of the new judicial facility.

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

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 4,635,000	\$ 6,385,000	\$ 3,123,000	\$ 3,162,000	\$ 7,758,000	\$ 9,547,000
Other long-term obligations	115,591,780	97,911,077	17,128,158	18,228,966	132,719,938	116,140,043
Total	<u>\$ 120,226,780</u>	<u>\$ 104,296,077</u>	<u>\$20,251,158</u>	<u>\$21,390,966</u>	<u>\$ 140,477,938</u>	<u>\$ 125,687,043</u>

Chatham County's bonded debt decreased by \$5,010,263 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 \$608,636,819.

Additional information regarding Chatham County's long-term debt can be found in Note 2 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

- As of 2011, the latest data available, Chatham County has the second highest per capita income in the state, 34% higher than the state average.
- Chatham County's seasonally unadjusted unemployment rate (5.4% in August 2013) continues to trend well below the state (8.3%) and nation (7.2%). The August 2013 rate is 1.7% lower than the August 2012 rate. The County's August 2013 rate ranked second lowest among other counties in the state.
- The County's property tax rate remained the same from FY (fiscal year) 2013 to 2014: 62.19 cents/\$100 valuation of property. Because of a one-time windfall of motor vehicle taxes, property values are projected to increase 4.1% overall, as follows:
 - Real property, 1.9% increase
 - Public utility values, 22% decrease because of the closing of a coal plant by Duke Energy
 - Motor vehicles, 46% increase (again because of a one-time, four-month windfall of overlapping collection between the state and County); and
 - Personal property, 5.4% increase
- Data for FY 2014 is not available, but in FY 2013, the fourth year of its revaluation cycle, Chatham County ranked 15th out of 100 counties in property valuation per capita at \$138,578 (which is 35% higher than the state average). As many counties in the state and nation, Chatham County's sales assessment ratio, at 103%, is above 100%. Commissioners have opted to delay implementation of the next revaluation until FY 2018.
- The sales tax distributed based on where collected grew by 5% compared to 3% statewide growth. The County is projecting that sales tax revenues were conservatively estimated at 2% higher in FY 2014.
- Building permit revenue increased 42% between FY 2012 and FY 2013; overall the number of residential permits increased 12%. Register of Deeds' stamps, which are paid when properties are sold within the County, were up 22% in FY 2013 and 30% in the final quarter of FY 2013. Both of these revenue sources were conservatively budgeted in FY 2014 at 3% less than FY 2013 projected levels.
- Recent business and industry announcements are extraordinary. An 1,774-acre tract on the Chatham-Randolph border (50 acres in Randolph) was recently named the 3rd best site in the south for an automobile manufacturing plant by *Southern Business and Development* magazine. The County is working with the state, Town of Siler City, and the property owners to make this the first certified megasite in the state, a designation which significantly improves the marketability of property for industrial clients. Preston Development, developers of the Preston Community in Cary, have purchased 7,600 acres and have submitted plans to the Town of Pittsboro for a master planned community, touted as Research Triangle Park 2.0 which will target research and development industries. Research Triangle Park, located 20 miles away, is nearly full. At its 30-year build out, the Chatham Park development is expected to add 55,000 residents, 22,000 dwellings, 21 million square

feet of non-residential development, and \$12 billion in tax base. Local media sources claim it would be the largest planned community in the state. A lease was recently signed for the first project in Chatham Park, a 100-acre, 20 mega watt solar farm, which would be the largest solar farm in the state. The "Chapel Hill" WalMart located in Chatham County on the border of Orange County opened in June 2013 and added \$13.4 million in tax base and approximately 300 jobs. The WalMart opening is expected to contribute significantly to local sales tax collection. Including WalMart, the Economic Development Corporation reports that in the past year 686 jobs were created and \$23.16 million was invested by businesses.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities. In spite of turmoil in national and state government, Chatham's FY 2014 budget was developed to give substance to the goals adopted by the Board of Commissioners during its annual planning session in January 2013. The overarching goal to achieve a prosperous and thriving community is supported by the board's other long-term goals:

- To achieve an AAA bond rating
- To ensure efficient and effective government
- To build a safer community

In order to further these goals and capitalize on extraordinary opportunities, the budget:

- Increases the contribution to the debt reserve to build a new Agricultural & Conference Center that will provide office and conference space for Chatham County's thriving agricultural economy and attract visitors to meeting events.
- Increases employee pay with a 3% market adjustment. During the State of the County address, the Chairman noted that the statewide average ratio of employees to population was 8.70/1,000 residents, while Chatham's was 6.7/1,000 residents. We believe that has been possible because we have been able to train and retain a well qualified workforce.
- Provides \$500,000 in one-time funding for K-8 teacher laptop replacements.
- Provides funding for partial year of operations of a new detention center.
- Increases other public safety staff, including four additional emergency dispatchers.
- Continues all approved capital projects on track.
- Approves using proceeds from the sale of several tracts in the Central Carolina Business Campus to fund engineering for water and sewer lines for the potential mega-site.

Requests 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.