

## **INTRODUCTORY SECTION**



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ORGANIZED 1770

707 SQUARE MILES

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November 26, 2013

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, 2013.

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, 2013. 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, Harnett 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 2013 population was estimated at 64,553. By 2032, the State estimates that the County's population will grow to 90,977

Most of the County's population continues to reside in the unincorporated area, with only 20 percent of residents living in a municipality. The Town of Pittsboro with a population of 3,885 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 approximately fifty five percent of the County resident labor force. The regional prosperity has enabled Chatham County to currently rank second highest among the state's one hundred counties in per capita income and second lowest in unemployment. Within the County, the manufacturing sector accounts for the largest percentage of jobs, just under twenty percent. Major manufacturers include Arauco, Performance Fibers, and Moncure Plywood. Various service industries provide another thirty percent of jobs in the County. Major service employers include Chatham County Schools, Carolina Meadows, Galloway Ridge and Chatham Hospital. This year, a second Walmart store opened in the County, adding over two hundred new jobs and helping generate new sales tax revenue.

Agriculture and agribusiness (food, fibers and forestry) remain significant in the local economy. The County ranks twenty-first in the state in income from livestock, dairy and poultry and ranks thirty-third 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 ten to forty nine 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. The County ranks number three in the state in beef cattle and in overall cattle production and eleventh in broiler production, dairy cattle and hay 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, crinum, daylilies, orchids, exotic ferns, trees and shrubs.

In an attempt to further diversify its employment base, the County constructed a business park, the Central Carolina Business Campus, near the intersection of US 64 and US 421 in Siler City. The County is optimistic that the presence of Chatham Hospital, a UNC Health Care facility, and Central Carolina Community College will help attract other health-related facilities to the Business Campus as the economy continues to improve.

This year, the Board of Commissioners approved a conceptual land use plan that focuses on employment growth in the towns and economic development areas, and adopted a goal of increasing the commercial and industrial tax base over the next ten years. To promote these goals, the Chatham Economic Development Corporation (EDC) is working with the developers of two large projects. Chatham Park -- an assemblage of over 7,500 acres in eastern Chatham -- is planning a mixed use development centered on a mid-tech business campus and the Chatham-Randolph Mega site -- an assemblage in western Chatham -- is designed for large industrial users. The Chatham Park developers have submitted a master plan for their proposed planned development district. The plan envisions 22,000 new homes, over 21 million square feet of non-residential buildings, and over \$12 billion in new tax base at build out. The 1,774 acre mega site has been favorably assessed as a location for an automotive or other large manufacturing user by the international

site consulting firm of McCallum-Sweeney. The two property owners are working with the EDC to obtain designation as a North Carolina Certified Site.

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.

Chatham County is home to diverse tourism assets, ranging from budget to luxury offerings for visitors allowing the Pittsboro-Siler City Convention & Visitors Bureau (CVB), the county’s official destination marketing organization (DMO), to strategize marketing campaigns to a variety of target audiences.

Among the nature-based sites are Jordan Lake State Recreation Area, Jordan Lake Educational State Forest, numerous hiking and cycling trails, the American Tobacco Trail (multi-county trail), nature preserves and six golf courses, with a disc golf course under construction. Chatham County is also home to North Carolina’s only five-star, five-diamond restaurant and one of only two five-star, five-diamond inns in the state.

Domestic tourism in Chatham County generated an economic impact of \$29.47 million in 2012. This was a 6.3% change from 2011. Total payroll generated by the tourism industry in Chatham County reached \$3.4 million, with more than 170 jobs directly attributed to tourism. State and local tax revenues from travel to Chatham County amounted to \$2.23 million. This represents a \$33.51 tax saving to each county resident. Chatham County’s visitor-related economic impact has generally maintained growth in the last decade; all 100 counties generated an increase and Chatham County remains in the top 10 counties in the state for the largest growth. (all economic impact data compiled by U.S. Travel Association).

Multiple visitor-related businesses have continued to open in Chatham County while the CVB staff size of one and budget have remained relatively the same. The CVB has had the opportunity to market the wineries and current lodging as a ‘trail’ and that has generated interest in the destination for visitors to have various choices of places to stay and explore. New eateries have opened as well as retail; both types of businesses enhance the visitor’s itinerary and maximize a trip, particularly considering the cost for refueling vehicles for travel. The CVB has also provided images and content from the tourism website for additional websites, including one for the North Carolina Division of Tourism, Film and Sports Development for RetireNC.com.

The DMO/CVB has continued to teach social media marketing and has been very proactive in requesting to learn about new visitor-related businesses before opening dates in order to guide them on marketing to visitors and collaborating with other visitor-related businesses, both competitors and complementary types. While working with competitors was not always a common concept, the creation of the trails has led to local businesses working together, referring one another, and also working with other area businesses that would be to the benefit of all. The DMO’s Social Media Academy has taught more than simply Facebook, Twitter, and other social media products. The focus has been to work with these (primarily small) independently-owned businesses to foster marketing skills and collaboration while sharing tools to assist them in succeeding in obtaining a larger market share through targeting visitors, consumers beyond the local community, to broaden the tax base. The CVB has also provided its visitor-related businesses opportunities for partnership marketing beyond obvious partnerships with N.C. Division of Tourism, Film and Sports Development: 3/50 project; Small Business Saturday, an American Express program; N.C. Department of Environment and Natural Resources N.C. Green Travel Recognition program; and several others)

Over the past 33 months, the travel industry has made up 57 percent of the jobs lost during the great recession, while the rest of the economy has only made up less than half of the jobs lost. This is because

companies in the travel industry have added jobs at a 19 percent faster pace than employers in other sectors of the economy since the employment recovery began in the beginning of 2010 (U.S. Travel Association, October 2012).

Furthermore, the CVB has worked with professors at two universities in North Carolina (North Carolina State University (NCSU) and East Carolina University's Center for Sustainable Tourism) to work on various initiatives. The CVB has educated and worked closely with an NCSU professor for NCSU to apply for grant funding for an innovative rural entrepreneurship program. The CVB consulted on the creation of the People-First Tourism program and Chatham County is one of three counties in North Carolina (Mountains, Piedmont, Coastal counties) to participate, a tourism endeavor with promise and the funding to support micro-tourism businesses. Active participation, the creation of new tours, development of micro-entrepreneurs in tourism, and an opportunity to showcase various parts of the county that are occasionally overlooked is a part of the strategic tourism campaign. After a full year in operation as well as a complete fiscal year in terms of grant funding (N.C. Rural Economic Development Center), we will have an opportunity to assess the financial impact of People-First Tourism. Moreover, the DMO works to promote new events and create new initiatives to expand the tourism program, regardless of whether occupancy tax is generated (solely for the CVB's budget) and/or sales tax for the county; that is day trip and overnight guests are welcome and marketed to by the DMO. A major event in 2013 that launches in June and will repeat annually through 2017 is the IRONMAN competition. It launches for the first time in North Carolina in Chatham County and of the three athletic activities, swimming (entirely in Chatham County) and cycling (partially takes place in Chatham County) will be reason for much visitor-related economic impact and media spotlight on region, which we continue to garner via national and regional media to date prior to the IRONMAN competition. Chatham County recently hosted Cycle NC for a landmark lunch stop visit, a day trip that attracted 1,200 cyclists; planning for the event was more than six months and included monthly site visits from event coordinators, often overnight, in addition to media coverage showcasing the destination. Furthermore, the County has served as a popular site for sports events, including the multi-county American Tobacco Trail for the annual Boston Marathon qualifier, the Tobacco Road Marathon.

Visitor-related businesses in Chatham County vary in size, with an advantage to the rural charm of the area in that small, independently-owned businesses offer a distinctive product for the Convention & Visitors Bureau to promote, with a Heart of North Carolina Bed & Breakfast and Heart of North Carolina Wine Trails, shops, eateries, and more. Attractions range from a wildlife sanctuary for 'big cats,' including tigers, ocelots and binturongs, with guided tours as a unique offering to visitors. Agritourism is one of the county's top-ranked tourism strengths, alongside the nature sites. Four wineries, two wine shops, a brewery, six farmers' markets and numerous small farms offering tours enhance the visitor experience, plus provide local food and drink for the farm to fork trips that tourists seek from Chatham County restaurants. A rural and convenient getaway with excellent proximity for day trips and overnight escapes from neighboring urban counties make Chatham County a significant tourism destination. More information: <http://visitpittsboro.com/about-us>

### *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 seven 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*

#### **OVERVIEW:**

Fiscal Year 2013 in Chatham County featured the successful grand openings of the new Justice Center and the beautifully rebuilt Historic Courthouse, while continuing a six-year trend of almost level actual spending for general fund operations. The county also continued a four-year trend of no increase in property taxes.

Chatham County provided additional funding for schools to help offset four consecutive years of major state budget cuts in education. Much of the new school funding came from delaying construction of a future high school by one year

The budget included funds to begin partial implementation of a county employee pay study from 2008, which showed that employees' salaries overall were behind their counterparts in surrounding communities by 15 percent. All employees received at least a two percent increase, while those further below market received more. These increases were most welcome after four years with no salary increases.

#### **EDUCATION & SCHOOL FACILITIES:**

The county's budget included an increase of \$977,123 over FY12 for Chatham County Schools to help offset state funding cuts and handle increased enrollment. A major component was a two-percent increase in the supplement for teachers and teaching assistants.

Major school construction projects completed in FY 2013 include:

- Updated heating and air conditioning systems in the gyms of all three high schools;
- Safer traffic patterns at North Chatham Elementary that relieve congestion on Lystra Road;
- Completion of multi-year project at 10 schools to renovate bathrooms;
- Additional restrooms at Chatham Central's softball field and at football fields for Northwood and Jordan-Matthews high schools

Chatham County Schools also made progress on several multi-year projects for several schools, including outdoor paving (sidewalks, play areas and driveways) and roof replacements.

#### **COUNTY FACILITIES:**

*Justice Center:* On Jan. 2, 2013, the new Chatham County Justice Center opened on time and within budget. The 87,093-square-foot facility houses all courts and related officials. The county increased its operating budget to cover six months of operations in FY 2013.

*Historic Courthouse:* The Grand Reopening of the Historic Chatham County Courthouse on April 20, 2013 attracted an estimated 1,200 visitors throughout the day. The event included the public opening of the new Chatham County Museum designed by the Chatham County Historical Association and the unveiling of the new reproduction of the Earl of Chatham's portrait, painted by artist Luana Luconi Winner. All visitors received commemorative coins and printed programs paid for by event sponsors.

*Detention Center:* Chatham County initiated construction of a new detention center on county-owned property west of Pittsboro near the current Solid Waste & Recycling office. It is slated for completion in March of 2014.

*Briar Chapel Park:* The county began several projects at a 62-acre park donated to the county by Briar Chapel development, using recreation fees paid by the development. These initial upgrades include construction of a restroom facility, concessions building, fencing and lighting of ball fields.

*Annex Building:* The county worked with an architect to redesign the space in the Courthouse Annex on the south side of the courthouse traffic circle. With District Court and Clerk of Court's office now relocated to the Justice Center, the entire building will be renovated to allow cramped offices to expand, including the Register of Deeds, County Manager, Tax Office and Finance Office. Work will be completed in FY 2014.

#### **TECHNOLOGY:**

*Electronic Health Patient System:* The Public Health Department implemented a new health patient management records system that will work with a state database and also handle Medicaid billing.

*Automated Social Services:* The state initiated a new automated case management system for Social Services, resulting in major work and headaches at the county level. Chatham was one of three counties selected as a pilot site.

*Recreation Registration:* In October of 2012, the Parks and Recreation Department launched a new Rec Trac online service for residents to register and pay fees for programs. It also allows residents to reserve various park facilities.

#### **ECONOMIC DEVELOPMENT:**

In FY 2012 and the first half of FY 13, the Chatham Economic Development Corporation reported the following for Chatham County:

- Creation of 958 jobs (up from 319 jobs in FY 10 and FY 11 combined)
- Assistance provided to 222 new & existing businesses (up from 129 in FY 10 and FY 11 combined)
- Capital investments of \$135.17 million (up from \$20 million in FY 10 and FY 11 combined)

*Conceptual Land Use Plan:* The Chatham Economic Development Corporation worked with the county's Planning Department and Geographic Information Systems to lead an effort to develop conceptual land use plan scenarios for Chatham County. The objective is to position Chatham County for sustainable and balanced growth for future generations. They invited public input on the land use plan scenarios in the spring of 2013.

#### **SPECIAL ACHIEVEMENTS:**

*100% Accreditation:* In FY 2013, the Public Health Department scored 100% on its **Reaccreditation Review** for the second time in a row. It successfully met requirements for 41 benchmarks and 148 activities.

*Leadership Academy Milestone:* Chatham County celebrated the tenth anniversary graduating class for its award-winning Leadership Academy, which has helped employees develop knowledge and skills to improve their overall performance. All classes are taught by county employees. In 10 years, 157 employees have graduated from the program and many have received promotions.

*Budget and Finance Awards:* The County Manager's Office received the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its 2012-13 budget presentation. Most award recipients are in much larger jurisdictions. The Finance Office again earned the Government Finance Officers Association Award for Excellence in Financial Reporting, which it has done every year since 1989.

*Tourism Spending:* An annual statewide report showed that Chatham tied for first place among all 100 counties for the highest increase in tourism spending in 2011, based on a study done in FY 2013. Domestic tourism in Chatham County generated an economic impact of \$27.73 million in calendar year 2011, up 10.8% from 2010.

*Senior Center Award:* In August of 2012, the Eastern Chatham Senior Center in Pittsboro was certified as a NC Senior Center of Excellence by the Division of Aging and Adult Services. Evaluation areas included: outreach and access to services; programs and activities; planning, evaluation, and input from older adults;

staffing; and operations and physical facility.

*Voter Turnout:* The Chatham County Board of Elections effectively managed the 2012 General Election in November, during which the county had the highest voter turnout in the state at nearly 77%. Many voters (69%) voted early at one-stop locations, which operated smoothly under substantial pressure.

*Emergency Operations Award:* Chatham's Emergency Operations Director Tony Tucker received the 2012 Colonel Phillip Nichlos Award from the N.C. Emergency Management Association. This top statewide award recognized his career achievements in emergency management.

*Lifesaving Award:* In May 2013, Chatham County Sheriff Richard Webster awarded Detention Officer Lee Lester with the prestigious Life Saving Award for his swift action to save the life of an inmate in cardiac arrest.

#### **OTHER DEPARTMENTAL HIGHLIGHTS:**

*Spay & Neuter:* Animal Control reports that its focus on subsidized spay/ neuter of pets combined with similar efforts by local rescue groups helped reduce the surrender of pets by owners by 17%.

*Healthy Living:* Public Health initiated a partnership with neighboring counties as part of the Community Transformation Project, a grant-funded program. Decreased tobacco use, access and affordability of healthy foods, and safe places for physical activity are key targets for Chatham.

*Rural Tourism:* The Pittsboro-Siler City Convention & Visitors Bureau is one of three CVBs across the state to receive grant monies to be part of an innovative rural entrepreneurship program, People-First Tourism, a program developed by a professor at N.C. State University.

*Tax Collections:* The Tax Office continued its excellent tax collection rates, with the overall collection percentage for 2011-12 (97.83%) exceeding the previous year (97.73%).

*Family History:* In FY 2013, Chatham Community Library's volunteers began offering special help on Thursdays for those doing research on family history, including helping them use the library's databases.

*Food Safety:* Environmental Health trained food establishment managers on the new state Food Code, which impacts county inspections of facilities. They also enrolled in the voluntary FDA National Retail Food Program Standards, a quality improvement program, and received grant funding to support this work.

*Christmas Wishes:* In FY 2013, 110 sponsors and 56 financial donors helped the Department of Social Services provide special support for more than 250 children in foster care or who are otherwise at risk.

*Missing Children:* The Emergency Communications Center became a certified partner of the National Center for Missing and Exploited Children.

*4-H in Schools:* Cooperative Extension's 4-H program partnered with several county schools to offer programs on healthy eating and physical activity as well as animal science. Teachers reported that 75% of students' science grades increased at least one grade.

#### *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, 2012. This was the twenty fourth 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 members of the Finance Department throughout the preparation of this report. We would like to thank the entire county staff for the 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, 2013*

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*Board of County Commissioners*

<i>Walter Petty</i>	<i>Chairman</i>
<i>Brian Bock</i>	<i>Vice Chairman</i>
<i>Mike Cross</i>	<i>Commissioner</i>
<i>Sally Kost</i>	<i>Commissioner</i>
<i>Pamela Stewart</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>Jason Sullivan</i>	<i>Planning Director</i>
<i>Jenny Williams</i>	<i>Central Permitting Director</i>
<i>David Hughes</i>	<i>Public Works Director</i>
<i>Frances Wilson</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>



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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Presented to

**County of Chatham  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**Chatham County  
 Organization Chart  
 Fiscal Year Ended June 30, 2013**

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