

FINANCIAL SECTION

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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, 2014, 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 *Government 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, 2014, 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 December 18, 2014 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
December 18, 2014

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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, 2014. 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

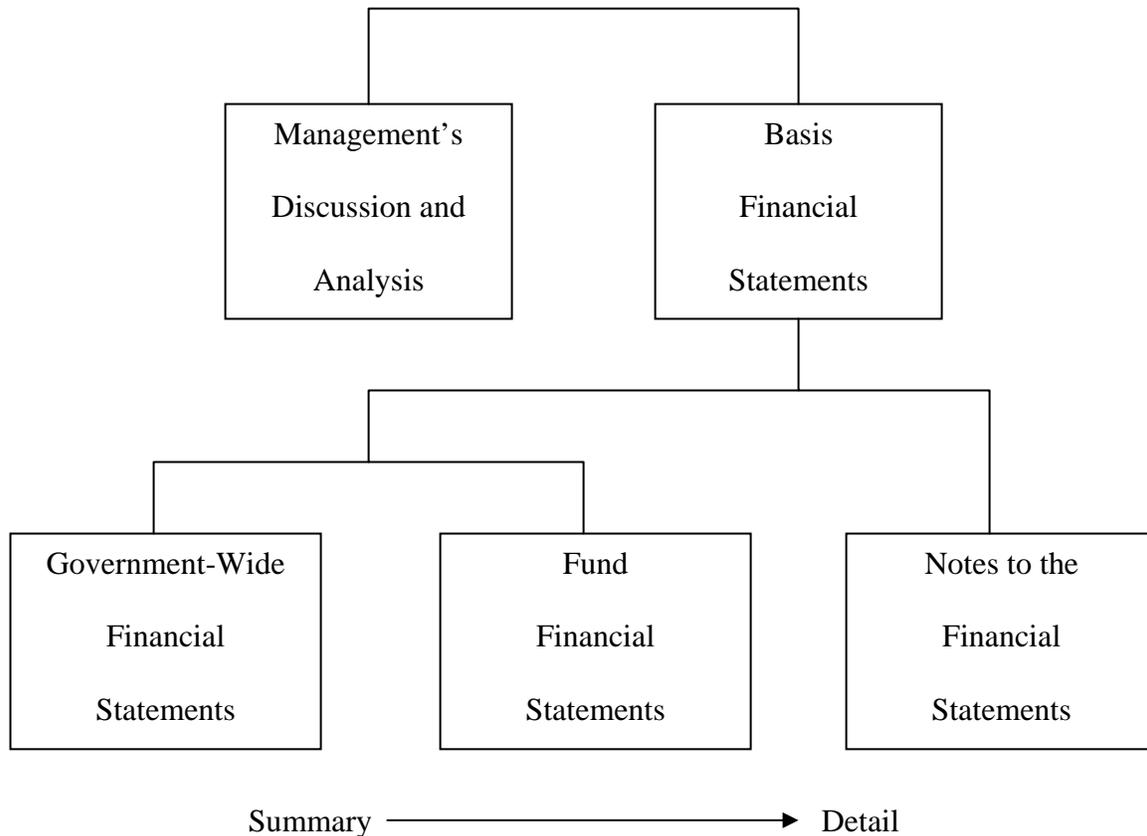
- The assets and deferred outflows of resources of Chatham County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$102,011,450 (*net position*). The assets of the governmental activities exceeded liabilities by \$41,836,526, and the assets of the business-type activities exceeded liabilities by \$60,174,924.
- The government's total net position decreased by \$31,154,222, due to the removal of school facilities from the County's capital asset records. As of the close of the current fiscal year, Chatham County's governmental funds reported combined ending fund balances of \$72,801,776, a decrease of \$7,615,838 in comparison with the prior year. Approximately 17.09 percent of this total amount, or \$12,441,620, is non-spendable or restricted. The decrease in the governmental fund balance can be attributed to spending previously borrowed funds for the construction of a new detention facility. This facility will be completed during the next fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,205,821 or 24.37 percent of total General Fund expenditure and transfers out for the fiscal year.
- Chatham County's total debt decreased by \$6,446,288 during the current fiscal year.
- For fiscal year 2014 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 68-70 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 84,641,230	\$ 91,952,073	\$ 25,006,992	\$ 26,731,020	\$ 109,648,222	\$ 118,683,093
Capital assets	83,204,777	112,153,396	56,041,182	53,940,033	139,245,959	166,093,429
Total Assets	167,846,007	204,105,469	81,048,174	80,671,053	248,894,181	284,776,522
Long-term liabilities outstanding	119,333,467	124,542,084	19,774,260	21,080,275	139,107,727	145,622,359
Other liabilities	6,385,845	4,827,569	1,098,990	721,680	7,484,835	5,549,249
Deferred inflows of resources	290,169	439,242	-	-	290,169	439,242
Total liabilities and deferred inflows of resources	126,009,481	129,808,895	20,873,250	21,801,955	146,882,731	151,610,850
Net position:						
Net investment in capital assets	34,854,762	34,705,133	36,561,427	33,240,609	71,416,189	67,945,742
Restricted	6,900,681	20,001,062	-	-	6,900,681	20,001,062
Unrestricted	81,083	19,590,379	23,613,497	25,628,489	23,694,580	45,218,868
Total net position	\$ 41,836,526	\$ 74,296,574	\$ 60,174,924	\$ 58,869,098	\$ 102,011,450	\$ 133,165,672

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 \$102,011,450 as of June 30, 2014. The County's net position decreased by \$31,154,222 for the fiscal year ended June 30, 2014. This decrease can be attributed to the removal of three school facilities from the County's capital asset records. Related outstanding debt for these assets totaled \$35,988,756 and is reflected in the County's long term liabilities outstanding. 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 \$6,900,681 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$23,694,580 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 98.52
- The continued accumulation of funds in the Capital Improvement Reserve Fund – The Commissioners continued to set aside an equivalent of 5.6 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 detention facility scheduled to be completed in 2015.

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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 6,989,966	\$ 6,495,026	\$ 10,224,217	\$ 9,944,430	\$ 17,214,183	\$ 16,439,456
Operating grants and contributions	10,276,378	11,320,862	152,271	137,990	10,428,649	11,458,852
Capital grants and contributions	-	-	4,800	-	4,800	-
General revenues:						
Property taxes	65,632,697	63,637,790	-	-	65,632,697	63,637,790
Sales taxes	9,193,703	8,523,462	-	-	9,193,703	8,523,462
Other taxes and licenses	645,523	776,265	-	-	645,523	776,265
Grants and contributions not restricted	2,399,117	1,998,194	-	-	2,399,117	1,998,194
Unrestricted investment earnings	286,999	166,260	91,466	52,092	378,465	218,352
Other	407,173	345,098	20,000	22,485	427,173	367,583
Total revenues	95,831,556	93,262,957	10,492,754	10,156,997	106,324,310	103,419,954
Expenses:						
General government	11,802,932	10,439,515	-	-	11,802,932	10,439,515
Public safety	21,029,450	20,060,250	-	-	21,029,450	20,060,250
Economic and physical development	2,803,531	1,980,219	-	-	2,803,531	1,980,219
Human services	15,071,151	15,530,646	-	-	15,071,151	15,530,646
Cultural and recreational	1,804,748	1,842,358	-	-	1,804,748	1,842,358
Education	71,104,550	32,680,272	-	-	71,104,550	32,680,272
Interest on long-term debt	5,167,547	4,219,127	-	-	5,167,547	4,219,127
Utility	-	-	5,209,241	5,008,867	5,209,241	5,008,867
Southeast water district	-	-	743,520	798,953	743,520	798,953
Solid waste management	-	-	2,991,862	2,906,654	2,991,862	2,906,654
Total expenses	128,783,909	86,752,387	8,944,623	8,714,474	137,728,532	95,466,861
Increase in net position before transfers	(32,952,353)	6,510,570	1,548,131	1,442,523	(31,404,222)	7,953,093
Transfers	242,305	(12,000)	(242,305)	12,000	-	-
Extraordinary item - insurance recovery	250,000	830,517	-	-	250,000	830,517
Increase in net position	(32,460,048)	7,329,087	1,305,826	1,454,523	(31,154,222)	8,783,610
Net position:						
Beginning of year - July 1	74,296,574	66,967,487	58,869,098	57,414,575	133,165,672	124,382,062
End of year - June 30	\$ 41,836,526	\$ 74,296,574	\$ 60,174,924	\$ 58,869,098	\$ 102,011,450	\$ 133,165,672

Governmental Activities. Governmental activities decreased the County's net position by \$32,460,048. This decrease can be attributed to the removal of three school facilities from the County's asset records. The County continued its practice of reserving funds in an amount equal to five and six tenths cents on the property tax rate to fund future capital projects. The County also experienced an increase in revenue generated by property taxes and an increase in sales tax revenue.

Business-Type Activities. Business-type activities increased Chatham County's net position by \$1,305,826.

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 Fund was \$25,581,348 while total fund balance was \$30,454,236. 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 28.07 percent of total General Fund expenditures and transfers out, while total fund balance represents 33.42 percent of that same amount.

At June 30, 2014, the governmental funds of Chatham County reported a combined fund balance of \$72,801,776, a nine percent decrease over last year. The primary reason for this decrease was the continued construction spending for a new detention facility. Funds were borrowed for this facility in fiscal year 2013. This facility is scheduled to be completed in fiscal year 2015.

The Impact Fees Fund balance decreased by \$929,978 and the Capital Improvement Capital Project Reserve Fund balance increased by \$2,200,728. 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 budgeted revenues by \$858,966 and budgeted expenditures by \$1,990,097.

Operating revenues of the General Fund were \$3,676,993 more than the final budgeted amount. Although property tax revenue and sales tax revenue exceeded budgeted amounts by \$1,321,990 and \$531,703 respectively the County saw a decline in anticipated restricted intergovernmental revenue of \$497,719.

The actual expenditures within the General Fund totaled \$3,699,013 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 \$18,712,812 the Solid Waste Management Fund equaled \$4,789,249 and the Southeast Water District Fund equaled \$111,436. The net position for the Utility Fund increased \$1,264,156, the Solid Waste Management Fund's net position increased \$151,106 and the Southeast Water District Fund decreased \$109,436 for the year ended June 30, 2014.

Capital Asset and Debt Administration

Capital Assets. Chatham County's capital assets for its governmental and business-type activities as of June 30, 2014, total \$139,245,959 (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 a new detention facility.
- Incurred planning expenses for a future agriculture and conference center facility.

Chatham County's Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Non-Depreciable Assets:						
Land	\$ 11,877,028	\$ 12,642,176	\$ 951,812	\$ 916,528	\$ 12,828,840	\$ 13,558,704
Construction in progress	52,750,807	39,416,384	12,853,443	23,682,554	65,604,250	63,098,938
Depreciable Assets:						
Buildings	16,489,602	57,917,940	1,058,436	1,396,544	17,548,038	59,314,484
Equipment and vehicles	2,087,340	2,176,896	985,949	1,224,305	3,073,289	3,401,201
Infrastructure:						
Water lines	-	-	40,191,542	26,720,102	40,191,542	26,720,102
Total Assets	\$ 83,204,777	\$ 112,153,396	\$ 56,041,182	\$ 53,940,033	\$ 139,245,959	\$ 166,093,429

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, 2014, Chatham County had total bonded debt outstanding of \$6,007,000 all of which is debt backed by the full faith and credit of the County.

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

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 2,925,000	\$ 4,635,000	\$ 3,082,000	\$ 3,123,000	\$ 6,007,000	\$ 7,758,000
Other long-term obligations	112,762,583	115,591,780	16,397,755	17,128,158	129,160,338	132,719,938
Total	\$ 115,687,583	\$ 120,226,780	\$ 19,479,755	\$ 20,251,158	\$ 135,167,338	\$ 140,477,938

Chatham County's long-term obligations decreased by \$5,310,600 during the past fiscal year, due primarily to principal payments on existing debt.

As mentioned in the financial highlights section of this document, for fiscal year 2014 Chatham County maintained its Aa2 bond rating from Moody's Investor Service and its AA+ rating from Standard & Poor's Corporation. In October of 2014 the County received an upgrade to its ratings from both Standard & Poor's, AA+ to AAA, and Moody's Aa2 to Aa1.

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 \$635,192,333.

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

- In October, 2014, Chatham County was upgraded to a AAA rating from Standard and Poor's, becoming the smallest county in North Carolina to receive the highest bond rating. Only eight other counties in North Carolina and 89 across the US have AAA ratings from Standard and Poor's. The County also received an upgrade from Moody's to a Aa1.
- As of 2012, 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 (4.9% in August 2014) continues to trend well below the state (7%) and nation (6.3%). The August 2014 rate is 0.5% lower than the August 2013 rate. The County's August 2014 rate ranked second lowest among other counties in the state.
- The County's property tax rate remained the same from FY (fiscal year) 2014 to 2015: 62.19 cents/\$100 valuation of property. Because of a one-time windfall of motor vehicle taxes in FY 2014, property values are projected to remain flat overall; each part of the base is expected to increase/decrease as follows:
 - Real property, 2.4% increase due to increased residential development;
 - Public utility values, 3% decrease because of the closing of a coal-fueled plant by Duke Energy;
 - Motor vehicles, 25.1% decrease (again because of a one-time, four-month windfall of overlapping collection between the state and county in FY 2014); and
 - Personal property, 1.4% decrease due to depreciation of business equipment.
 - Data for FY 2015 is not available, but in FY 2014, the fifth year of its revaluation cycle, Chatham County ranked 15th out of 100 counties in property valuation per capita at \$136,600 (which is 29% 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 8% compared to 6.1% statewide growth. The County is projecting that sales tax revenues were conservatively estimated at 3.9% higher in FY 2015.
- Building permit revenue increased 25% between FY 2013 and FY 2014; overall the number of residential permits increased 10%. Register of Deeds' stamps, which are paid when properties are sold within the county, were up 16% in FY 14. Both of these revenue sources were conservatively budgeted in FY 2015 at 3% less than FY 2014 projected levels.
- Recent business and industry announcements are extraordinary. A 1,818-acre tract on the Chatham-Randolph border (50 acres in Randolph) became the first certified megasite in the State, a designation which significantly improves the marketability of property for industrial clients. The State and County are actively marketing the site for automobile manufacturing. The County is seeking certification for a 1,470-acre tract in the Moncure area currently undergoing a site readiness assessment by Duke Energy. Preston Development, developers of the Preston

Community in Cary, received approval from the Town of Pittsboro for what is believed to be the largest master planned community to date in the state. 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. The Economic Development Corporation reports that in the past year 491 jobs were created and \$50.7 million was invested by businesses.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. Chatham's FY 2015 budget was developed to give substance to the goals adopted by the Board of Commissioners during its annual planning session in January 2014. 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 build the new Agriculture Center
- To ensure efficient and effective government
- To build a safer community

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

- Increased funding by \$577,323 to Chatham County Schools to continue a one-to-one laptop program for the county's high school students.
- Increased funding by \$575,000 to Chatham County Schools for a teacher incentive pay system, the first of its kind in North Carolina.
- Continued the second year of funding for a regional partnership to place academic and career advisors in all high schools.
- Allocated \$50,000 to market the Chatham-Randolph megasite.
- Brought all county employees to market pay rate.
- Funded a full year of operations for the new jail.
- Added positions in the Sheriff's Office, Central Permitting and Social Services to deal with increased workloads.

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.