

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

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

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Catawba County, North Carolina

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

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

In our opinion, based upon our audit and the report of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Catawba County, North Carolina as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of Catawba County, North Carolina's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing in the results of our audit.

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 18, 2011

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

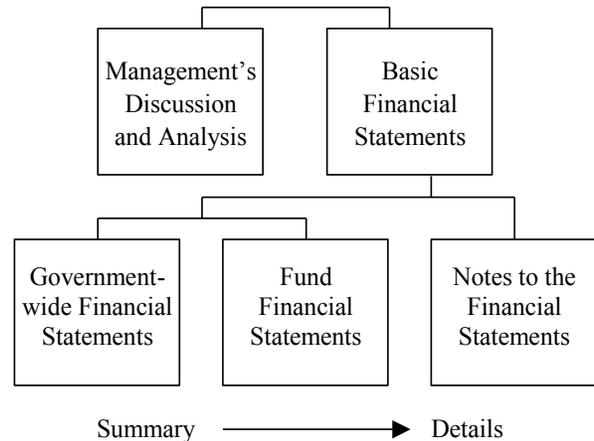
## FINANCIAL HIGHLIGHTS

- ▶ The assets of Catawba County exceeded its liabilities at the close of the fiscal year by \$152,432,982 (*net assets*). Of this figure, approximately \$119 million represents the County's investment in capital assets, which is not available for future spending.
- ▶ The government's total net assets increased by \$2,666,948, resulting from a decrease of (\$2,697,277) in governmental activities, and an increase of \$5,364,225 in business-type activities.
- ▶ As of the close of the current fiscal year, Catawba County's governmental funds reported combined ending fund balances of \$117,215,821, an increase of \$18,220,037 in comparison with the prior year. Approximately 39 percent of this total amount, or \$45,509,769, is restricted, or non-spendable. [See Exhibit 4]
- ▶ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$29,177,889, or 19 percent of total general fund expenditures for the fiscal year.
- ▶ Catawba County's total debt increased by \$25,139,843 during the current fiscal year. Outstanding debt is \$142,142,197 and equates to \$893 per capita at the end of the fiscal year.
- ▶ For the seventh consecutive year, Catawba County maintained its AA bond rating with Standard & Poor's and maintained its Aa1 bond rating with Moody's Investors Service for the 2nd consecutive year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Catawba 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 A). 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 Catawba County.

**Figure A - Required Components of Annual Financial Report**



## BASIC FINANCIAL STATEMENTS

The first two statements (Exhibits 1 and 2) 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 3 through 9) 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) governmental funds statements, (2) budgetary comparison statements, (3) proprietary fund statements, and (4) 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. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, 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.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

## 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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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 human services, education, public safety, parks and recreation, and administration. Property 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 water and sewer and landfill services offered by Catawba County. The final category is the component units. Catawba Valley Medical Center is a public hospital that was organized in 1962 by resolution of the Board of County Commissioners. The County appoints the board of trustees for the Medical Center and

has issued debt on its behalf. Although legally separate from the County, the Alcohol Beverage Control (ABC) board is important to the County because the County is financially responsible 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 Exhibit 1 and 2 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. Catawba 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 Catawba 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*. *This method also has 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 governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a

reconciliation that is a part of the fund financial statements.

Catawba County adopts an annual budget for its General Fund, as required by North Carolina 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 of Commissioners 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, changes 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.

The governmental funds financial statements can be found on pages 18-22 of the report.

- ▶ **Proprietary Funds** - Catawba County maintains one type of proprietary fund which includes two enterprise funds.

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for both its solid-waste and water and sewer operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

The proprietary funds financial statements can be found on pages 23-27 of this report.

- ▶ **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Catawba County has four fiduciary funds, all of which are agency funds.

The fiduciary funds financial statements can be found on page 28 of this report.

## 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 can be found beginning on page 29 of this report.

## SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Catawba County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found beginning on page 66 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net Assets** - As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Catawba County exceeded liabilities by \$152,432,982, as of June 30, 2011. The County's net assets increased by \$2,666,948 for the fiscal year ended June 30, 2011.

The largest portion of net assets, 77.8%, reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Capital assets increased by \$4.6 million during the current year. Catawba County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

## Government-Wide Financial Analysis Catawba County's Net Assets

	Governmental Activities		Business-type Activities		Total		Total	
	2011	2010	2011	2010	2011	2010	Dollar Change	Percent Change
Current and other assets	\$ 134,358,591	\$ 115,393,314	\$ 50,173,426	\$ 45,815,782	\$ 184,532,017	\$ 161,209,096	\$ 23,322,921	14.47%
Capital assets	83,760,519	81,532,112	54,591,884	52,259,902	138,352,403	133,792,014	4,560,389	3.41%
Total assets	218,119,110	196,925,426	104,765,310	98,075,684	322,884,420	295,001,110	27,883,310	9.45%
Long-term liabilities	143,111,459	118,177,775	16,698,333	14,776,093	159,809,792	132,953,868	26,855,924	20.20%
Other liabilities	9,925,432	10,968,155	716,214	1,313,053	10,641,646	12,281,208	(1,639,562)	-13.35%
Total liabilities	153,036,891	129,145,930	17,414,547	16,089,146	170,451,438	145,235,076	25,216,362	17.36%
<b>Net assets:</b>								
Invested in capital assets, net of related debt	71,693,769	68,272,595	46,958,987	52,416,130	118,652,756	120,688,725	(2,035,969)	-1.69%
Restricted	47,011,143	1,377,237	-	-	47,011,143	1,377,237	45,633,906	3313.44%
Unrestricted	(53,622,693)	(1,870,336)	40,391,776	29,570,408	(13,230,917)	27,700,072	(40,930,989)	-147.76%
Total net assets	\$ 65,082,219	\$ 67,779,496	\$ 87,350,763	\$ 81,986,538	\$ 152,432,982	\$ 149,766,034	\$ 2,666,948	1.78%

Catawba County's investment in its capital assets is reported net of the outstanding related debt, the resources to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another portion of Catawba County's net assets, 30.8%, represents resources that are subject to external restrictions on how they may be used. Compared to the prior year percentage of .9%, this increase is a result of new restrictions from the implementation of GASB Statement No. 54. Because of these restrictions, the unrestricted amount has a negative balance.

In order to provide a complete picture of the changes in net assets of the County, information is provided separately for the net assets of governmental and business-type activities.

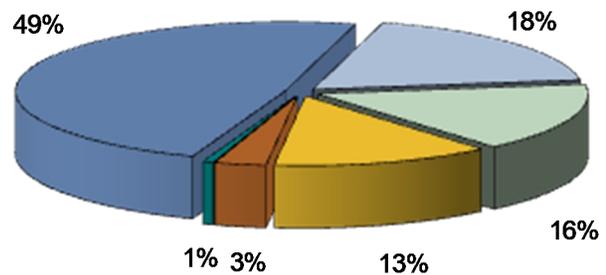
**Governmental Activities** - Governmental activities decreased the County's net assets by (\$2,697,277). Key elements of this change are as follows:

- ▶ An increase in education expenses as new school capital projects began major construction.

- ▶ Investment earnings decreased by \$980,000 from the prior year due to lower interest rates.
- ▶ Anticipating this shortfall, County departments reduced their expenses by 2% of their budgets, decreased payments to outside agencies, and left several employee positions vacant.

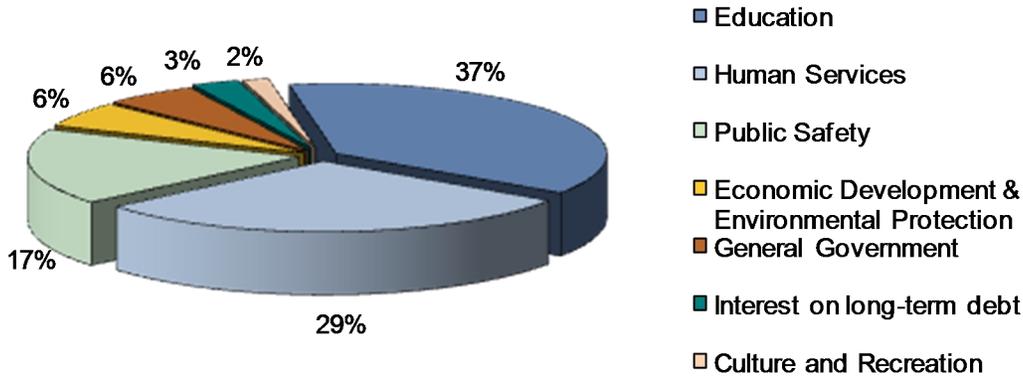
The following graphs represent the major sources of revenues and the major functions of expenditures for governmental activities.

### Revenues by Source - Governmental Activities



- Property taxes
- Operating grants
- Sales and other taxes
- Charges for services
- Capital grants
- Investment earnings

## Expenditures by Function - Governmental Activities



### Catawba County Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 23,023,392	\$ 22,526,301	\$ 5,742,856	\$ 5,816,059	\$ 28,766,248	\$ 28,342,360
Operating grants and contributions	32,659,457	32,298,988	501,033	546,052	33,160,490	32,845,040
Capital grants and contributions	5,380,157	3,217,167	1,957,808	209,796	7,337,965	3,426,963
General revenues:						
Property taxes	85,440,972	84,763,108	-	-	85,440,972	84,763,108
Sales and other taxes	27,996,050	27,955,321	302,161	290,643	28,298,211	28,245,964
Investment earnings, unrestricted	1,136,085	2,115,680	533,248	927,964	1,669,333	3,043,644
<b>Total revenues</b>	<u>175,636,113</u>	<u>172,876,565</u>	<u>9,037,106</u>	<u>7,790,514</u>	<u>184,673,219</u>	<u>180,667,079</u>
<b>Expenses</b>						
General government	9,795,648	10,533,518	-	-	9,795,648	10,533,518
Public safety	30,599,650	29,076,572	-	-	30,599,650	29,076,572
Environmental protection	508,248	495,248	-	-	508,248	495,248
Economic and physical development	9,713,902	10,627,991	-	-	9,713,902	10,627,991
Human services	51,350,294	51,688,459	-	-	51,350,294	51,688,459
Cultural and recreation	2,733,249	2,830,504	-	-	2,733,249	2,830,504
Education	65,072,007	53,825,312	-	-	65,072,007	53,825,312
Interest on long-term debt	4,998,419	5,411,021	-	-	4,998,419	5,411,021
Solid waste management	-	-	5,869,812	5,800,628	5,869,812	5,800,628
Water and sewer	-	-	1,365,042	1,270,443	1,365,042	1,270,443
<b>Total expenses</b>	<u>174,771,417</u>	<u>164,488,625</u>	<u>7,234,854</u>	<u>7,071,071</u>	<u>182,006,271</u>	<u>171,559,696</u>
<b>Increase (decrease) in net assets before transfers</b>	864,696	8,387,940	1,802,252	719,443	2,666,948	9,107,383
<b>Transfers</b>	(3,561,973)	(3,700,000)	3,561,973	3,700,000	-	-
<b>Increase (decrease) in net assets</b>	(2,697,277)	4,687,940	5,364,225	4,419,443	2,666,948	9,107,383
<b>Net assets - beginning of year</b>	67,779,496	63,091,556	81,986,538	77,567,095	149,766,034	140,658,651
<b>Net assets - end of year</b>	<u>\$ 65,082,219</u>	<u>\$ 67,779,496</u>	<u>\$ 87,350,763</u>	<u>\$ 81,986,538</u>	<u>\$ 152,432,982</u>	<u>\$ 149,766,034</u>

**Business-type Activities** - Business-type activities increased Catawba County's net assets by \$5,364,225. Key elements of this change are as follows:

- ▶ A transfer of 1-1/2 cents of the property tax rate and Article 46 Sales tax revenues totaling \$3.6 million from the General Fund for various water and sewer projects in the County.
- ▶ An increase in capital grant funds to support water and sewer activities of \$1.7 million, including a grant of \$1.5 million from the American Recovery and Reinvestment Act.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

**Governmental Funds** - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the 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. Information is presented separately in the governmental funds balance sheets and statement of revenues, expenditures and changes in fund balance for the General Fund, the General Capital Fund, and the School Construction Fund, all of which are considered major funds. Data from other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules elsewhere in the report.

At June 30, 2011, the governmental funds of the County reported a combined fund balance of \$117,215,821, an 18.4 percent increase from the previous year. The primary reason for this

increase in fund balance was the issuance of debt for major school construction projects that have not yet been spent.

**General Fund** - The General Fund is the chief operating fund of Catawba County. At the end of the current fiscal year, available fund balance of the General Fund was \$41,021,444, while total fund balance reached \$53,084,624. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents 26.7% of total General Fund expenditures while total fund balance represents 34.5% of that same amount.

The overall fund balance increased by \$547,783 primarily due to decreases in expenditures in the general government, public safety, economic and physical development, human services, and cultural and recreation functions. Additional information is provided in the discussion on General Fund budgetary highlights on the next page.

**Other Major Funds** - The **General Capital Projects Fund** is a major governmental fund. This fund accounts for the financing and construction of all general government multi-year capital projects. Its fund balance increased by \$3.4 million to \$22.1 million. The largest financing source came from an increase in restricted intergovernmental revenues of \$2.1 million, a major grant of \$1.1 million, and transfers from other funds of \$1.6 million. Expenditures were \$4.3 million, an increase from \$1.3 million in the prior year.

The **School Construction Fund** is another major governmental fund. This fund accounts for the various multi-year capital projects for the three school systems and community college in the County. Its fund balance increased by \$16.2 million to \$22.4 million. The largest financing source came from proceeds from debt issuance of \$36.5 million. Expenditures were \$20.4 million, an increase from \$11.3 million in the prior year, a result of new major school construction projects in progress.

**Non-Major Funds** - Fund balances for non-major funds decreased by (\$2.0) million to \$19.5 million overall. The major decrease is from the School Capital Fund of (\$1.1) million, which was a result of an increase in expenditures relating to capital and renovation projects for the three school systems and community college in the County.

**Proprietary Funds** - The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The County has two enterprise funds, the Solid Waste Management and the Water and Sewer Fund. Total net assets of the Enterprise Funds at the end of the fiscal year amounted to \$87.4 million with \$40.4 million of this amount being unrestricted. The increase in net assets in these funds was \$5.4 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

**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:

- ▶ Amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available.
- ▶ Amendments made to recognize new funding amounts from external sources, such as Federal and State grants.
- ▶ Increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues by \$184,171 or .11%. This increase was due mainly to anticipation of additional federal and state grants available for County services.

Actual revenues were less than final budgeted amounts by (\$292,484). The primary reason was a decrease in investment earnings received during the year due to lower interest rates.

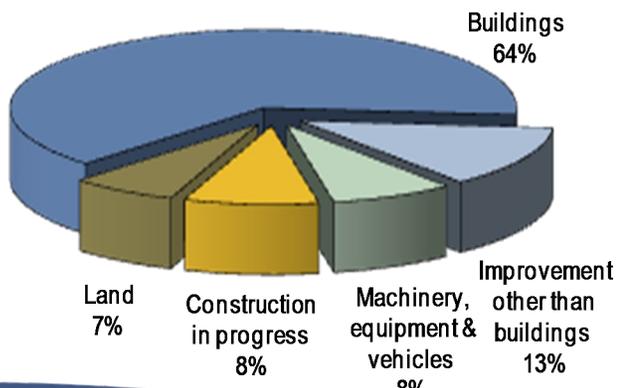
Net amendments to budgeted appropriations were \$6,469,636 or 3.9%. The majority of amendments were for human services, mainly for change in expectations for receipts of federal and state grants. Actual expenditures were less than final budgeted amounts by \$17,404,664. These cost savings resulted mainly from unspent appropriations of a) \$5.1 million in services and supplies in human services departments, b) \$1.1 million in services and supplies in public safety departments and c) \$4.2 million in salaries and benefits due to temporary vacancies in various departments and reductions in health claims. Also, due to an anticipated decline in economic conditions, each County department reduced its operating budget by 2%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** - Catawba County's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$138,352,403 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities and vehicles. Major capital asset transactions during the year include the following additions (there were no significant disposals):

- ▶ Increase in construction in progress of approximately \$3.4 million primarily for Mountain Creek Park.
- ▶ Purchase of new public safety vehicles of approximately \$943,000.

**Catawba County's Total Capital Assets (net of depreciation)**



## Catawba County's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 5,689,821	\$ 5,689,821	\$ 7,258,519	\$ 7,223,539	\$ 12,948,340	\$ 12,913,360
Buildings	53,670,460	55,096,588	615,664	631,155	54,286,124	55,727,743
Improvements other than buildings	10,684,053	10,935,105	21,717,591	21,588,463	32,401,644	32,523,568
Machinery, equipment and vehicles	6,563,121	6,571,861	1,737,242	1,806,814	8,300,363	8,378,675
Construction in progress	7,153,064	3,238,737	23,262,868	21,009,931	30,415,932	24,248,668
<b>Total</b>	<b>83,760,519</b>	<b>81,532,112</b>	<b>54,591,884</b>	<b>52,259,902</b>	<b>138,352,403</b>	<b>133,792,014</b>

- ▶ Increase in construction in progress of approximately \$1.2 million primarily for water lines and a new regional biosolids facility.

Additional information on the County's capital assets can be found in note 4.A. of the Basic Financial Statements.

**Long-term Debt** - As of June 30, 2011, Catawba County had total bonded debt outstanding of \$12,110,000, all of which is debt backed by the full faith and credit of the County. In addition, the County had Installment Purchase debt of \$54,846,912, Certificates of Participation debt of \$37,075,000 and Qualified Zone Academy Bonds of \$550,000. Catawba County increased its debt by issuing Qualified School Construction Bonds of \$27,808,553, Build America Bonds of \$8,401,732, and a Federal revolving loan of \$1,350,000 during the fiscal year. The overall change in long-term debt was a net increase of \$25,139,843.

As mentioned in the financial highlights section of this document, Catawba County maintained for the 2nd consecutive year, its Aa1 bond rating from Moody's Investors Service and for the 7<sup>th</sup> consecutive year, its AA rating from Standard and Poor's. This stable bond rating is a clear indication of the sound financial condition of the County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt. The County plans to refinance early next fiscal year to take advantage of historically lower interest rates.

North Carolina general statutes limit the amount of 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 County's total debt burden outstanding is \$142,142,197 compared to the legal debt margin of \$1,067,686,498 or 12%.

Additional information regarding Catawba County's long-term debt can be found in note 4.B of this report.

### Catawba County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 12,110,000	\$ 17,310,000	\$ -	\$ -	\$ 12,110,000	\$ 17,310,000
Installment Purchases	48,564,015	52,705,166	6,282,897	6,532,188	54,846,912	59,237,354
Certificates of Participation	37,075,000	39,855,000	-	-	37,075,000	39,855,000
Qualified Zone Academy Bonds	550,000	600,000	-	-	550,000	600,000
Qualified School Const. Bonds	27,808,553	-	-	-	27,808,553	-
Build America Bonds	8,401,732	-	-	-	8,401,732	-
Federal Revolving Loan	-	-	1,350,000	-	1,350,000	-
<b>Total</b>	<b>\$ 134,509,300</b>	<b>\$ 110,470,166</b>	<b>\$7,632,897</b>	<b>\$6,532,188</b>	<b>\$ 142,142,197</b>	<b>\$ 117,002,354</b>

## FISCAL YEAR 2010-2011 ECONOMIC FACTORS

The following factors reflect the economic activity of the County.

- ▶ Low debt burden and property tax rate. The County's existing debt obligations are only 12% of its statutory limit. The property tax rate of \$0.535/\$100 was below the State average of \$0.6141/\$100 and the 33<sup>rd</sup> lowest of all 100 counties in North Carolina.
- ▶ The County remains a retail magnet for the region, capturing 60% of the \$4.0 billion in retail sales from the four-county Metropolitan Statistical Area in 2011 despite having only 43% of the population. In 2011, the County's total taxable retail sales increased 2.5% over the prior year.
- ▶ The county's unemployment has seen a slight improvement as the rate declined from 12.8% in July 2010 to 12.2% In July 2011.

## BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2012

**Governmental Activities** - The property tax rate is reduced from \$.535/100 to a revenue neutral \$.53/100 assessed value as a result of property revaluation. The budget projects property taxes to be essentially flat for fiscal year 2011-12. As the local economy continues to recover slowly and local and state revenues remain tenuous, the County has been forced to reduce its expenditures. For the third year in a row, reductions are made to County spending, impacting 34 positions, helping to reduce the County budget 2.81 percent to an approved budget of \$196,814,846 for fiscal year 2011-12.

Education continues to represent the largest portion of the local budget, with 49 cents of every property and sales tax dollar allocated for the instructional costs and capital needs of the three public school systems and Catawba Valley Community College.

The County continues to place public safety as a high priority, and accordingly, fewer reductions were made to these functions. The second largest portion of local funds—22 cents of every property tax and sales tax dollar—is spent on public safety.

The last pay adjustment for County employees was three years ago. During these three years, staff has been reduced. At the same time, demand for service has increased due to the economy, so employees have taken on higher workloads and continued to provide excellent customer service and response time. The budget includes limited funds to recognize performance—a one percent and \$300 lump sum for employees, available on employee anniversary dates and, based on ratings of individual performance. A limited amount of funding continues to be included to address pay inequities, in order to keep the County competitive with other jurisdictions through an annual reclassification study.

**Business – type Activities** - The \$9,036,653 budget includes \$5,912,619 for solid waste operations and \$3,124,034 for water and sewer operations and capital expenditures. The budget commits \$1.3 million of the ¼ cent sales tax and \$775,000 or ½ cent on the property tax rate to fund County-wide water and wastewater needs. This reflects a diversion of 1 cent on the property tax rate or \$1,550,000 from the previous year's appropriation.

### 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 Director of Finance, Catawba County, PO Box 389, Newton, NC 28658. Online information may be found at the County's website <http://www.catawbacountync.gov>.



## **Basic Financial Statements**

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 92,879,716	\$ 48,945,294	\$ 141,825,010
Taxes receivable - net	3,991,088	-	3,991,088
Due from other governments	14,629,209	323,293	14,952,502
Notes receivable	-	346,613	346,613
Other receivables	2,526,615	453,853	2,980,468
Interest receivable	216,601	104,373	320,974
Inventories	395,153	-	395,153
Prepaid items	86,781	-	86,781
Deferred charges	374,443	-	374,443
Restricted cash and investments	17,275,677	-	17,275,677
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	12,842,885	30,521,387	43,364,272
Other capital assets, net of depreciation	70,917,634	24,070,497	94,988,131
Total capital assets	<u>83,760,519</u>	<u>54,591,884</u>	<u>138,352,403</u>
Net investment in joint venture	1,983,308	-	1,983,308
Total assets	<u>218,119,110</u>	<u>104,765,310</u>	<u>322,884,420</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	7,280,088	716,214	7,996,302
Unearned revenues	2,645,344	-	2,645,344
Long-term liabilities:			
Due within one year	15,059,019	596,571	15,655,590
Due in more than one year	128,052,440	16,101,762	144,154,202
Total long-term liabilities	<u>143,111,459</u>	<u>16,698,333</u>	<u>159,809,792</u>
Total liabilities	<u>153,036,891</u>	<u>17,414,547</u>	<u>170,451,438</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	71,693,769	46,958,987	118,652,756
Restricted			
Public safety	4,726,753	-	4,726,753
Register of Deeds	39,764	-	39,764
Stabilization by State statute	16,435,433	-	16,435,433
Debt service	-	-	-
School construction	19,189,675	-	19,189,675
Capital projects	5,347,139	-	5,347,139
Other	1,272,379	-	1,272,379
Unrestricted (deficit)	<u>(53,622,693)</u>	<u>40,391,776</u>	<u>(13,230,917)</u>
Total net assets	<u>\$ 65,082,219</u>	<u>\$ 87,350,763</u>	<u>\$ 152,432,982</u>

The accompanying notes are an integral part of the financial statements.

<b>Component Units</b>	
<b>Catawba Valley Medical Center</b>	<b>Catawba County ABC Board</b>
\$ 75,783,555	\$ 672,918
-	-
1,263,388	-
-	-
24,204,021	-
272,067	-
4,940,369	1,621,992
1,087,748	-
-	-
31,860,862	-
6,061,825	-
22,890,380	-
56,943,898	2,082,964
<u>79,834,278</u>	<u>2,082,964</u>
-	-
<u>225,308,113</u>	<u>4,377,874</u>
17,932,270	1,075,500
-	-
19,347,797	41,105
46,364,647	-
<u>65,712,444</u>	<u>41,105</u>
<u>83,644,714</u>	<u>1,116,605</u>
47,545,314	2,082,964
-	-
-	-
1,313,810	-
5,382,097	-
37,659	414,510
87,384,519	763,795
<u>\$ 141,663,399</u>	<u>\$ 3,261,269</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 9,795,648	\$ 2,915,961	\$ 958,559	\$ 1,520,000
Public safety	30,599,650	10,169,062	230,282	-
Environmental protection	508,248	5,525	57,111	-
Economic and physical development	9,713,902	1,788,439	519,478	3,295,365
Human services	51,350,294	7,286,797	30,654,754	
Culture and recreation	2,733,249	61,607	239,273	
Education	65,072,007	796,001	-	564,792
Interest on long-term debt	4,998,419	-	-	-
Total expenditures	<u>174,771,417</u>	<u>23,023,392</u>	<u>32,659,457</u>	<u>5,380,157</u>
Business-type activities				
Solid waste management	5,869,812	5,607,998	57,798	337,943
Water and sewer	1,365,042	134,858	443,235	1,619,865
Total expenditures	<u>7,234,854</u>	<u>5,742,856</u>	<u>501,033</u>	<u>1,957,808</u>
Total primary government	<u>\$ 182,006,271</u>	<u>\$ 28,766,248</u>	<u>\$ 33,160,490</u>	<u>\$ 7,337,965</u>
<b>Component units</b>				
Catawba Valley Medical Center	\$ 182,444,752	\$ 192,789,640	\$ 900,076	\$ 28,878
Catawba County ABC Board	11,149,155	10,777,240	-	-
Total Component Units	<u>\$ 193,593,907</u>	<u>\$ 203,566,880</u>	<u>\$ 900,076</u>	<u>\$ 28,878</u>

## General Revenues:

## Taxes

Property taxes, levied for general purposes

Local option sales taxes

Other taxes and licenses

Investment earnings, unrestricted

Total general revenues, excluding transfers

## Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Catawba Valley Medical Center	Catawba County ABC Board
\$ (4,401,128)	\$ -	\$ (4,401,128)		
(20,200,306)	-	(20,200,306)		
(445,612)	-	(445,612)		
(4,110,620)	-	(4,110,620)		
(13,408,743)	-	(13,408,743)		
(2,432,369)	-	(2,432,369)		
(63,711,214)	-	(63,711,214)		
(4,998,419)	-	(4,998,419)		
<u>(113,708,411)</u>	<u>-</u>	<u>(113,708,411)</u>		
-	133,927	133,927		
-	832,916	832,916		
-	966,843	966,843		
<u>(113,708,411)</u>	<u>966,843</u>	<u>(112,741,568)</u>		
			\$ 11,273,842	\$ -
			-	(371,915)
			<u>\$ 11,273,842</u>	<u>\$ (371,915)</u>
85,440,972	-	85,440,972	-	-
26,504,695	-	26,504,695	-	-
1,491,355	302,161	1,793,516	-	-
1,136,085	533,248	1,669,333	984,915	8,034
<u>114,573,107</u>	<u>835,409</u>	<u>115,408,516</u>	<u>984,915</u>	<u>8,034</u>
<u>(3,561,973)</u>	<u>3,561,973</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>111,011,134</u>	<u>4,397,382</u>	<u>115,408,516</u>	<u>984,915</u>	<u>8,034</u>
(2,697,277)	5,364,225	2,666,948	12,258,757	(363,881)
<u>67,779,496</u>	<u>81,986,538</u>	<u>149,766,034</u>	<u>129,404,642</u>	<u>3,625,150</u>
<u>\$ 65,082,219</u>	<u>\$ 87,350,763</u>	<u>\$ 152,432,982</u>	<u>\$ 141,663,399</u>	<u>\$ 3,261,269</u>

**CATAWBA COUNTY, NORTH CAROLINA****Balance Sheet  
Governmental Funds  
June 30, 2011**

	<b>Major Funds</b>			<b>Non Major Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>School Construction Fund</b>	<b>Other Governmental Funds</b>	
<b>Assets</b>					
Cash and investments	\$ 47,488,291	\$ 21,440,492	\$ 5,400,961	\$ 18,549,972	\$ 92,879,716
Taxes receivable - net	3,796,485	-	-	194,603	3,991,088
Due from other funds	1,318	-	-	-	1,318
Due from other governments	9,878,816	672,105	3,007,553	1,070,735	14,629,209
Other receivables	2,515,190	11,425	-	-	2,526,615
Interest receivable	124,232	41,675	5,580	45,114	216,601
Inventories	395,153	-	-	-	395,153
Prepaid items	86,781	-	-	-	86,781
Restricted cash and investments	1,343,193	-	15,843,622	88,862	17,275,677
<b>Total assets</b>	<b>65,629,459</b>	<b>22,165,697</b>	<b>24,257,716</b>	<b>19,949,286</b>	<b>132,002,158</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	5,252,210	22,806	1,841,817	163,255	7,280,088
Due to other funds	-	-	-	1,318	1,318
Deferred revenues	6,575,438	-	-	212,306	6,787,744
Liabilities to be paid from restricted assets	717,187	-	-	-	717,187
<b>Total liabilities</b>	<b>12,544,835</b>	<b>22,806</b>	<b>1,841,817</b>	<b>376,879</b>	<b>14,786,337</b>
<b>Fund Balances</b>					
Nonspendable					
Inventories	395,153	-	-	-	395,153
Prepaid	86,781	-	-	-	86,781
Restricted					
Stabilization by State Statute	11,581,246	725,205	3,013,133	1,115,849	16,435,433
Register of Deeds	39,764	-	-	-	39,764
School Construction	-	-	19,189,675	-	19,189,675
School Capital	-	-	-	88,862	88,862
Public Safety	-	-	-	2,743,445	2,743,445
Fire Protection	-	-	-	852,061	852,061
Library Endowment	-	-	-	234,704	234,704
Scholarship	-	-	-	43,207	43,207
Parks Preservation	-	-	-	142,407	142,407
Hospital Capital	-	-	-	5,347,139	5,347,139
Committed					
Tax Revaluation	145,757	-	-	-	145,757
General Capital Reserve	444,128	-	-	-	444,128
General Capital	-	21,417,686	-	-	21,417,686
School Construction	-	-	213,091	-	213,091
School Capital	-	-	-	8,985,425	8,985,425
Hospital Construction	-	-	-	23,486	23,486
Assigned					
Public Health	169,805	-	-	-	169,805
Social Services	4,594,451	-	-	-	4,594,451
Administration	158,767	-	-	-	158,767
Human Resources	559,216	-	-	-	559,216
Library	350,508	-	-	-	350,508
Cooperative Extension	136,811	-	-	-	136,811
Subsequent year's expenditures	5,244,348	-	-	-	5,244,348
Unassigned	29,177,889	-	-	(4,178)	29,173,711
<b>Total fund balances</b>	<b>53,084,624</b>	<b>22,142,891</b>	<b>22,415,899</b>	<b>19,572,407</b>	<b>117,215,821</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,629,459</b>	<b>\$ 22,165,697</b>	<b>\$ 24,257,716</b>	<b>\$ 19,949,286</b>	<b>\$ 132,002,158</b>

The accompanying notes are an integral part of the financial statements.

**CATAWBA COUNTY, NORTH CAROLINA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2011**

Total <i>fund balances</i> for governmental funds (Exhibit 3)	\$ 117,215,821
Total net assets reported for governmental activities in the statement of net assets (Exhibit 1) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	83,760,519
Net Investment in Joint Venture	1,983,308
Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current period expenditures, therefore are reported as deferred revenue in the funds	4,142,400
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in fund statements	374,443
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4)	<u>(142,394,272)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 65,082,219</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2011**

	Major Funds			Non Major Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund	School Construction Fund	Other Governmental Funds	
<b>Revenues</b>					
Ad valorem taxes	\$ 79,768,849	\$ -	\$ -	\$ 5,521,899	\$ 85,290,748
Other taxes	20,958,025	2,251,297	-	3,725,450	26,934,772
Unrestricted intergovernmental revenues	1,906,277	-	-	-	1,906,277
Restricted intergovernmental revenues	37,460,611	2,174,553	499,792	1,409,239	41,544,195
Licenses and permits	1,795,495	-	-	-	1,795,495
Sales and services	13,631,424	-	-	-	13,631,424
Investment earnings	463,267	215,633	28,736	241,847	949,483
Miscellaneous	3,170,017	1,456,611	-	86,600	4,713,228
Total revenues	<u>159,153,965</u>	<u>6,098,094</u>	<u>528,528</u>	<u>10,985,035</u>	<u>176,765,622</u>
<b>Expenditures</b>					
Current					
General government	10,115,078	-	-	-	10,115,078
Public safety	22,627,879	-	-	7,632,434	30,260,313
Environmental protection	503,130	-	-	-	503,130
Economic and physical development	9,653,562	-	-	273,389	9,926,951
Human services	50,540,941	-	-	-	50,540,941
Culture and recreation	2,661,530	-	-	-	2,661,530
Education	39,598,951	-	-	-	39,598,951
Capital outlay	-	4,323,016	20,422,141	5,050,915	29,796,072
Debt service					
Principal	12,460,866	-	-	-	12,460,866
Interest	4,902,829	-	-	-	4,902,829
Sinking fund escrow	716,951	-	-	-	716,951
Total expenditures	<u>153,781,717</u>	<u>4,323,016</u>	<u>20,422,141</u>	<u>12,956,738</u>	<u>191,483,612</u>
Excess of revenues over (under) expenditures	<u>5,372,248</u>	<u>1,775,078</u>	<u>(19,893,613)</u>	<u>(1,971,703)</u>	<u>(14,717,990)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers from other funds	925,799	1,619,999	50,000	98,939	2,694,737
Transfers to other funds	(5,750,264)	-	(406,446)	(100,000)	(6,256,710)
Qualified School Construction bonds issued	-	-	27,808,553	-	27,808,553
Build America bonds issued	-	-	8,691,447	-	8,691,447
Total other financing sources (uses)	<u>(4,824,465)</u>	<u>1,619,999</u>	<u>36,143,554</u>	<u>(1,061)</u>	<u>32,938,027</u>
Net change in fund balance	547,783	3,395,077	16,249,941	(1,972,764)	18,220,037
<b>Fund Balances - Beginning of Year</b>	<u>52,536,841</u>	<u>18,747,814</u>	<u>6,165,958</u>	<u>21,545,171</u>	<u>98,995,784</u>
<b>Fund Balances - End of Year</b>	<u>\$ 53,084,624</u>	<u>\$ 22,142,891</u>	<u>\$ 22,415,899</u>	<u>\$ 19,572,407</u>	<u>\$ 117,215,821</u>

The accompanying notes are an integral part of the financial statements.

**CATAWBA COUNTY, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2011**

Net change in *fund balances* - total governmental funds (Exhibit 4) \$ 18,220,037

The change in net assets reported for governmental activities in the statement of activities (Exhibit 2) is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital outlays exceeded depreciation in the current period. 2,228,407

Governmental funds do not report the changes in the net investment in joint ventures. However in the Statement of Activities the current year increase (decrease) in this investment is recorded. 650,233

Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds. 329,767

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (23,321,947)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (803,774)

Change in net assets of governmental activities (Exhibit 2) \$ (2,697,277)

**CATAWBA COUNTY, NORTH CAROLINA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/Under</u>
<b>Revenues</b>				
Ad Valorem taxes	\$ 79,853,682	\$ 78,853,182	\$ 79,768,849	\$ 915,667
Other taxes	20,128,812	20,128,812	20,958,025	829,213
Unrestricted intergovernmental revenues	1,698,250	1,698,250	1,906,277	208,027
Restricted intergovernmental revenues	37,399,260	38,503,798	37,460,611	(1,043,187)
Licenses and permits	2,653,349	2,653,349	1,795,495	(857,854)
Sales and services	13,492,652	13,537,099	13,631,424	94,325
Investment earnings	803,000	803,000	450,728	(352,272)
Miscellaneous	3,220,734	3,256,420	3,170,017	(86,403)
Total revenues	<u>159,249,739</u>	<u>159,433,910</u>	<u>159,141,426</u>	<u>(292,484)</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	11,749,773	12,553,032	9,667,729	2,885,303
Public safety	24,623,303	24,462,139	22,627,879	1,834,260
Environmental protection	505,841	643,159	503,130	140,029
Economic and physical development	10,879,777	11,054,086	9,653,562	1,400,524
Human services	52,081,759	57,329,344	50,540,941	6,788,403
Culture and recreation	2,693,388	2,961,717	2,661,530	300,187
Education	39,809,664	39,809,664	39,598,951	210,713
<b>Debt service</b>				
Principal	15,873,100	15,136,790	12,460,866	2,675,924
Interest	6,052,791	6,789,101	4,902,829	1,886,272
Sinking fund escrow	-	-	716,951	(716,951)
Total expenditures	<u>164,269,396</u>	<u>170,739,032</u>	<u>153,334,368</u>	<u>17,404,664</u>
Excess of revenues over (under) expenditures	<u>(5,019,657)</u>	<u>(11,305,122)</u>	<u>5,807,058</u>	<u>17,112,180</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	456,671	456,671	456,671	-
Transfers to other funds	(5,246,886)	(5,441,229)	(5,441,229)	-
Installment purchase obligation issued	1,820,791	1,820,791	-	(1,820,791)
Fund balance appropriated	7,989,081	14,468,889	-	(14,468,889)
Total other financing sources (uses)	<u>5,019,657</u>	<u>11,305,122</u>	<u>(4,984,558)</u>	<u>(16,289,680)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	822,500	<u>\$ 822,500</u>
<b>Fund Balances - Beginning of Year</b>			<u>51,665,535</u>	
<b>Fund Balances - End of Year</b>			<u>\$ 52,488,035</u>	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			5,397	
Transfer from other funds			397,685	
Expenditures			(447,349)	
Fund Balance, Beginning			195,539	
A legally budgeted General Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			7,142	
Transfers from other funds			71,443	
Transfers to other funds			(309,035)	
Fund Balance, Beginning			675,767	
Fund Balance, Ending (Exhibit 4)			<u>\$ 53,084,624</u>	

The accompanying notes are an integral part of the financial statements.

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Solid Waste Management Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 16,548,122	32,397,172	\$ 48,945,294
Due from other governments	192,272	131,021	323,293
Notes receivable	-	346,613	346,613
Accounts receivables (net of allowance)	432,907	20,946	453,853
Other receivables	35,476	68,897	104,373
Total current assets	<u>17,208,777</u>	<u>32,964,649</u>	<u>50,173,426</u>
Noncurrent assets			
Capital assets			
Land, non-depreciable improvements, and construction in progress	9,597,254	20,924,133	30,521,387
Other capital assets, net of depreciation	16,328,806	7,741,691	24,070,497
Total capital assets	<u>25,926,060</u>	<u>28,665,824</u>	<u>54,591,884</u>
Total assets	<u>43,134,837</u>	<u>61,630,473</u>	<u>104,765,310</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	542,807	173,407	716,214
Accrued landfill closure and postclosure care costs	200,294	-	200,294
Installment loan payable	-	334,845	334,845
Compensated absences payable	57,403	4,029	61,432
Total current liabilities	<u>800,504</u>	<u>512,281</u>	<u>1,312,785</u>
Noncurrent liabilities			
Accrued landfill closure and postclosure care costs	8,625,222	-	8,625,222
Installment loan payable	-	7,298,052	7,298,052
Compensated absences payable	54,247	12,077	66,324
Other post employment benefits obligation	109,595	2,569	112,164
Total noncurrent liabilities	<u>8,789,064</u>	<u>7,312,698</u>	<u>16,101,762</u>
Total liabilities	<u>9,589,568</u>	<u>7,824,979</u>	<u>17,414,547</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	25,926,060	21,027,927	46,953,987
Unrestricted	7,619,209	32,777,567	40,396,776
Total net assets	<u>\$ 33,545,269</u>	<u>\$ 53,805,494</u>	<u>\$ 87,350,763</u>

The accompanying notes are an integral part of the financial statements

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

**Business-Type Activities - Enterprise Funds**

	<b>Solid Waste Management Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 3,643,540	\$ -	\$ 3,643,540
Methane recovery	806,469	-	806,469
Other operating revenues	42,199	-	42,199
Total operating revenues	<u>4,492,208</u>	<u>-</u>	<u>4,492,208</u>
<b>Operating Expenses</b>			
Administration	496,723	79,547	576,270
Recycling	38,270	-	38,270
Solid waste management improvements	171,151	-	171,151
Solid waste code enforcement	66,702	-	66,702
Biodiesel and freon recovery	23,215	-	23,215
Sanitary landfill	2,550,663	-	2,550,663
Landfill closure and postclosure costs	785,261	-	785,261
Convenience centers	332,507	-	332,507
Household hazardous waste	77,224	-	77,224
Blackburn landfill methane recovery	615,163	-	615,163
Water and sewer	-	858,152	858,152
Depreciation	712,933	156,229	869,162
Total operating expenses	<u>5,869,812</u>	<u>1,093,928</u>	<u>6,963,740</u>
Operating income (loss)	<u>(1,377,604)</u>	<u>(1,093,928)</u>	<u>(2,471,532)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Engineering fees	-	59,500	59,500
Interest on long term debt	-	(271,114)	(271,114)
Investment earnings	179,712	353,536	533,248
Miscellaneous	-	75,358	75,358
Municipal revenue sharing	-	443,235	443,235
Scrap tire grant	57,798	-	57,798
Solid waste disposal taxes	302,161	-	302,161
Solid waste capital revenue	1,115,790	-	1,115,790
Total nonoperating revenues (expenses)	<u>1,655,461</u>	<u>660,515</u>	<u>2,315,976</u>
Income (loss) before contributions and transfers	<u>277,857</u>	<u>(433,413)</u>	<u>(155,556)</u>
Capital contributions	337,943	-	337,943
American Reinvestment and Recovery Act	-	1,425,000	1,425,000
Community development block grants	-	194,865	194,865
Transfer from General Fund	-	3,561,973	3,561,973
Increase (decrease) in Net Assets	615,800	4,748,425	5,364,225
<b>Net Assets - Beginning of Year</b>	<u>32,929,469</u>	<u>49,057,069</u>	<u>81,986,538</u>
<b>Net Assets - End of Year</b>	<u>\$ 33,545,269</u>	<u>\$ 53,805,494</u>	<u>\$ 87,350,763</u>

The accompanying notes are an integral part of the financial statements



**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

**Business-Type Activities - Enterprise Funds**

	<b>Solid Waste Management Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 4,327,019	165,536	\$ 4,492,555
Cash paid for goods and services	(3,277,183)	(1,087,408)	(4,364,591)
Cash paid to employees	(1,430,918)	(74,379)	(1,505,297)
Other operating revenues	42,199	-	42,199
Net cash provided (used) by operating activities	<u>(338,883)</u>	<u>(996,251)</u>	<u>(1,335,134)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Tire disposal tax	185,772	-	185,772
Solid waste disposal tax	69,747	-	69,747
White goods disposal tax	46,642	-	46,642
Other charges	1,115,790	-	1,115,790
Scrap tire grant	57,798	-	57,798
Domestic haulers	-	134,858	134,858
Municipal revenue sharing	-	443,235	443,235
Community development block grant	-	194,865	194,865
Transfer from general fund	-	3,561,973	3,561,973
Total cash provided by noncapital financing activities	<u>1,475,749</u>	<u>4,334,931</u>	<u>5,810,680</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Loan proceeds for capital	-	1,425,000	1,425,000
Capital contribution-federal grant	-	1,425,000	1,425,000
Principal paid on installment notes payable	-	(324,291)	(324,291)
Interest paid on installment notes payable	-	(271,114)	(271,114)
Acquisition and construction of capital assets	(1,667,020)	(1,196,181)	(2,863,201)
Net cash provided (used) by capital and related financing activities	<u>(1,667,020)</u>	<u>1,058,414</u>	<u>(608,606)</u>
<b>Cash Flows from Investing Activities</b>			
Investment earnings	<u>245,344</u>	<u>448,933</u>	<u>694,277</u>
Net increase (decrease) in cash and cash equivalents	(284,810)	4,846,027	4,561,217
Cash and cash equivalents - beginning of year	<u>16,832,932</u>	<u>27,551,145</u>	<u>44,384,077</u>
Cash and cash equivalents - end of year	<u>\$ 16,548,122</u>	<u>32,397,172</u>	<u>\$ 48,945,294</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2011**

**Business-Type Activities - Enterprise Funds**

	<u>Solid Waste Management Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ (1,377,604)	(1,093,928)	(2,471,532)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	712,933	156,229	869,162
Increase (decrease) in landfill closure and postclosure care costs	785,261	-	785,261
Changes in assets and liabilities			
(Increase) decrease in refundable sales tax	(28,429)	77,918	49,489
(Increase) decrease in other receivables	(94,562)	(12,030)	(106,592)
(Increase) decrease in notes receivables	-	99,648	99,648
Increase (decrease) in accounts payable and other liabilities	(368,962)	(229,256)	(598,218)
Increase (decrease) in compensated absences	8,522	3,309	11,831
Increase (decrease) in accrued salaries and other benefits	23,958	1,859	25,817
Total adjustments	<u>1,038,721</u>	<u>97,677</u>	<u>1,136,398</u>
Net cash provided by operating activities	<u>\$ (338,883)</u>	<u>(996,251)</u>	<u>\$ (1,335,134)</u>
Noncash investing, capital and financing activities:			
Contribution of capital assets	337,943	-	337,943
	<u>\$ 337,943</u>	<u>\$ -</u>	<u>\$ 337,943</u>

The accompanying notes are an integral part of the financial statements

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and investments	<u>\$ 100,220</u>
<b>Liabilities</b>	
Miscellaneous liabilities	<u>\$ 100,220</u>

The accompanying notes are an integral part of the financial statements