

# 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, 2012, 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, 2012, 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 19, 2012 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 19, 2012

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, 2012. 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.

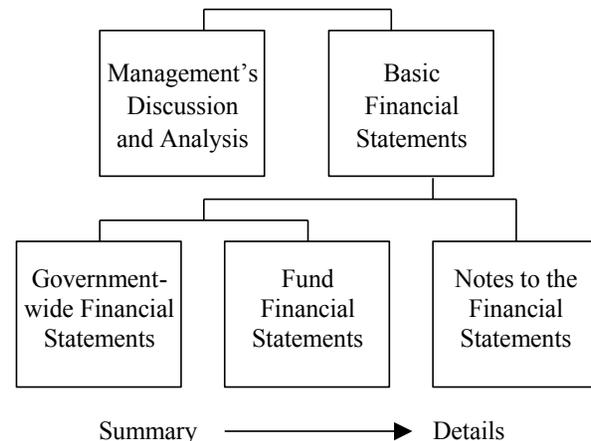
## FINANCIAL HIGHLIGHTS

- ▶ The assets of Catawba County exceeded its liabilities at the close of the fiscal year by \$155,373,915 (*net assets*). Of this figure, approximately \$120 million represents the County's investment in capital assets, which is not available for future spending.
- ▶ The government's total net assets increased by \$2,940,933, resulting from an increase of \$627,051 in governmental activities, and \$2,313,882 in business-type activities.
- ▶ As of the close of the current fiscal year, Catawba County's governmental funds reported combined ending fund balances of \$104,859,198, a decrease of (\$12,356,623) in comparison with the prior year. Approximately 29 percent of this total amount, or \$30,688,008, is restricted, or non-spendable. [See Exhibits 3 and 4]
- ▶ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$25,198,357, or 21 percent of total general fund expenditures for the fiscal year.
- ▶ Catawba County's total debt decreased by (\$12,603,046) during the current fiscal year. Outstanding debt principal is \$125,775,150 and equates to \$811 per capita at the end of the fiscal year.
- ▶ For the eighth 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 3rd 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 \$155,373,915 as of June 30, 2012. The County's net assets increased by \$2,940,933 for the fiscal year ended June 30, 2012.

The largest portion of net assets, 77%, 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 \$283,795 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	
	2012	2011	2012	2011	2012	2011	Dollar Change	Percent Change
Current and other assets	\$ 125,177,168	\$ 134,358,591	\$ 52,152,232	\$ 50,173,426	\$ 177,329,400	\$ 184,532,017	\$ (7,202,617)	-3.90%
Capital assets	83,604,826	83,760,519	55,031,372	54,591,884	138,636,198	138,352,403	283,795	0.21%
<b>Total assets</b>	<b>208,781,994</b>	<b>218,119,110</b>	<b>107,183,604</b>	<b>104,765,310</b>	<b>315,965,598</b>	<b>322,884,420</b>	<b>(6,918,822)</b>	<b>-2.14%</b>
Long-term liabilities	128,185,291	143,111,459	16,758,379	16,698,333	144,943,670	159,809,792	(14,866,122)	-9.30%
Other liabilities	14,887,433	9,925,432	760,580	716,214	15,648,013	10,641,646	5,006,367	47.05%
<b>Total liabilities</b>	<b>143,072,724</b>	<b>153,036,891</b>	<b>17,518,959</b>	<b>17,414,547</b>	<b>160,591,683</b>	<b>170,451,438</b>	<b>(9,859,755)</b>	<b>-5.78%</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	71,902,720	71,693,769	47,665,657	46,958,987	119,568,377	118,652,756	915,621	0.77%
Restricted	32,831,276	47,011,143	-	-	32,831,276	47,011,143	(14,179,867)	-30.16%
Unrestricted	(39,024,726)	(53,622,693)	41,998,988	40,391,776	2,974,262	(13,230,917)	16,205,179	-122.48%
<b>Total net assets</b>	<b>\$ 65,709,270</b>	<b>\$ 65,082,219</b>	<b>\$ 89,664,645</b>	<b>\$ 87,350,763</b>	<b>\$ 155,373,915</b>	<b>\$ 152,432,982</b>	<b>\$ 2,940,933</b>	<b>1.93%</b>

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, 21.1%, represents resources that are subject to external restrictions on how they may be used.

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.

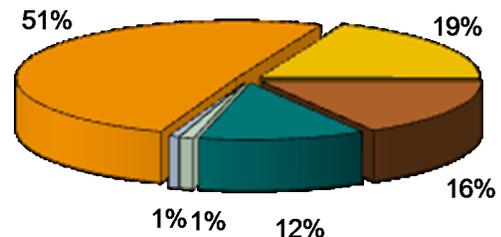
**Governmental Activities** - Governmental activities increased the County's net assets by \$627,051. Key elements of this change are as follows:

- ▶ A modest increase in property tax revenues and investment earnings.
- ▶ A decrease in education expenses as several school capital projects were completed during the year.
- ▶ Interest on long-term debt decreased by \$510,000 from the prior year due to

refunding prior debt with lower current interest rates.

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

### Revenues by Source - Governmental Activities

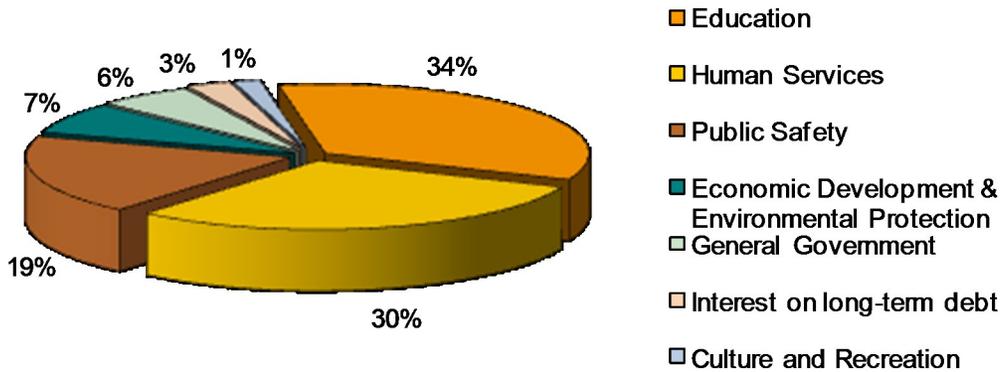


- Property taxes
- Sales and other taxes
- Capital grants
- Operating grants
- Charges for services
- Investment earnings

**Business-type Activities** - Business-type activities increased Catawba County's net assets by \$2,313,882. Key elements of this change are as follows:

- ▶ Article 46 Sales tax revenues totaling \$1.3 million for various water and sewer projects in the County.

## Expenditures by Function - Governmental Activities



### Catawba County Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 20,686,795	\$ 23,023,392	\$ 5,912,649	\$ 5,742,856	\$ 26,599,444	\$ 28,766,248
Operating grants and contributions	31,816,198	32,659,457	447,717	501,033	32,263,915	33,160,490
Capital grants and contributions	1,746,730	5,380,157	1,366,637	1,957,808	3,113,367	7,337,965
General revenues:						
Property taxes	85,663,390	85,440,972	-	-	85,663,390	85,440,972
Sales and other taxes	27,912,171	27,996,050	1,585,139	302,161	29,497,310	28,298,211
Investment earnings, unrestricted	1,291,370	1,136,085	487,048	533,248	1,778,418	1,669,333
<b>Total revenues</b>	<u>169,116,654</u>	<u>175,636,113</u>	<u>9,799,190</u>	<u>9,037,106</u>	<u>178,915,844</u>	<u>184,673,219</u>
<b>Expenses</b>						
General government	9,737,258	9,795,648	-	-	9,737,258	9,795,648
Public safety	31,399,814	30,599,650	-	-	31,399,814	30,599,650
Environmental protection	459,609	508,248	-	-	459,609	508,248
Economic and physical development	11,657,411	9,713,902	-	-	11,657,411	9,713,902
Human services	50,113,468	51,350,294	-	-	50,113,468	51,350,294
Cultural and recreation	2,724,942	2,733,249	-	-	2,724,942	2,733,249
Education	57,134,411	65,072,007	-	-	57,134,411	65,072,007
Interest on long-term debt	4,487,690	4,998,419	-	-	4,487,690	4,998,419
Solid waste management	-	-	5,797,602	5,869,812	5,797,602	5,869,812
Water and sewer	-	-	2,462,706	1,365,042	2,462,706	1,365,042
<b>Total expenses</b>	<u>167,714,603</u>	<u>174,771,417</u>	<u>8,260,308</u>	<u>7,234,854</u>	<u>175,974,911</u>	<u>182,006,271</u>
<b>Increase (decrease) in net assets before transfers</b>	1,402,051	864,696	1,538,882	1,802,252	2,940,933	2,666,948
<b>Transfers</b>	(775,000)	(3,561,973)	775,000	3,561,973	-	-
<b>Increase (decrease) in net assets</b>	627,051	(2,697,277)	2,313,882	5,364,225	2,940,933	2,666,948
<b>Net assets - beginning of year</b>	65,082,219	67,779,496	87,350,763	81,986,538	152,432,982	149,766,034
<b>Net assets - end of year</b>	<u>\$ 65,709,270</u>	<u>\$ 65,082,219</u>	<u>\$ 89,664,645</u>	<u>\$ 87,350,763</u>	<u>\$ 155,373,915</u>	<u>\$ 152,432,982</u>

- ▶ Transfer of 1/2 cent property tax for water and sewer projects in the amount \$775,000.

## 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, 2012, the governmental funds of the County reported a combined fund balance of \$104,859,198, a 10.5 percent decrease from the previous year. The primary reason for this decrease in fund balance was expenditures for capital projects where debt proceeds were received in prior years.

**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 \$38,486,738, while total fund balance reached \$51,101,004. 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 of \$186,303,591. Available fund balance

represents 20.66% of total General Fund expenditures while total fund balance represents 27.43% of that same amount.

The overall fund balance decreased by (\$1,983,620) primarily due to increase in debt service expenditures and restricted intergovernmental revenues. 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 \$2.7 million to \$24.8 million. The largest financing source came from \$2.6 million of sales taxes accumulated for future Justice Center expansion. Expenditures were \$2.9 million, a decrease from \$4.3 million in the prior year.

**Non-Major Funds** - Fund balances for non-major funds decreased by (\$13.0) million to \$28.9 million overall. The major decrease is from the School Construction Fund of (\$13.9) million, which was a result of an increase in expenditures relating to major construction 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 \$89.7 million with \$42 million of this amount being unrestricted. The increase in net assets in these funds was \$2.3 million. Other factors concerning the finances of these funds have 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.

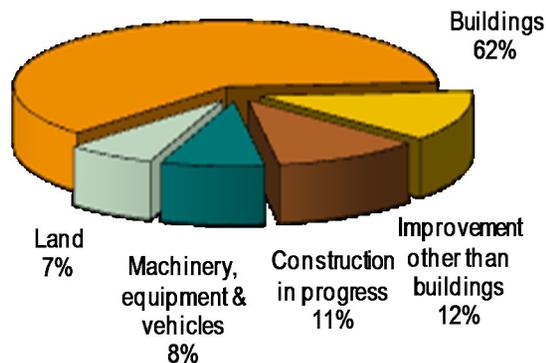
Total amendments to the General Fund increased revenues by \$1,874,859 or 1.1%. This increase was due mainly to anticipation of additional federal and state grants available for County services.

Actual revenues were less than final budgeted amounts by (\$2,257,990). There were several reasons including reduced investment earnings due to lower interest rates. The County did not receive some anticipated federal and state grants. There was a decrease in expected third party reimbursements for public health services.

Net amendments to budgeted appropriations were \$994,898 or .6%. 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 \$13,925,494. These cost savings resulted mainly from unspent appropriations of a) \$5.5 million in services and supplies in human services departments and b) \$3.3 million in salaries and benefits due to temporary vacancies in various departments and

reductions in health claims by County employees.

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



**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, 2012, totals \$138,636,198 (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 and deletions:

- ▶ Addition of new computer servers and infrastructure of \$1,080,000.
- ▶ Purchase of new public safety vehicles of \$1,085,000.
- ▶ Retirement of obsolete computer servers and update infrastructure of \$1,909,000.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,689,821	\$ 5,689,821	\$ 7,364,944	\$ 7,258,519	\$ 13,054,765	\$ 12,948,340
Buildings	51,472,750	53,670,460	600,174	615,664	52,072,924	54,286,124
Improvements other than buildings	10,432,704	10,684,053	20,994,321	21,717,591	31,427,025	32,401,644
Machinery, equipment and vehicles	6,598,922	6,563,121	1,387,021	1,737,242	7,985,943	8,300,363
Construction in progress	9,410,629	7,153,064	24,684,912	23,262,868	34,095,541	30,415,932
<b>Total</b>	<b>83,604,826</b>	<b>83,760,519</b>	<b>55,031,372</b>	<b>54,591,884</b>	<b>138,636,198</b>	<b>138,352,403</b>

- ▶ Increase in construction in progress of approximately \$1.7 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, 2012, Catawba County had total bonded debt outstanding of \$7,715,000, all of which is debt backed by the full faith and credit of the County. In addition, the County had other debt principal of \$123,901,497. The overall change in long-term debt was a net decrease of (\$12,603,046). The County issued limited obligation bonds during the year to refund existing debt and is included in numbers above.

As mentioned in the financial highlights section of this document, Catawba County maintained for the 3rd consecutive year, its Aa1 bond rating from Moody's Investors Service and for the 8<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 additional debt next fiscal year to take advantage of historically low 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 \$125,775,150 compared to the legal debt limit of \$1,241,235,370 or 10.1%.

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

## FISCAL YEAR 2011-2012 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 10.1% of its statutory limit. The property tax rate of \$0.53/\$100 was below the State average of \$0.62/\$100 and the 27<sup>th</sup> lowest of all 100 counties in North Carolina.
- ▶ The County remains a retail magnet for the region, capturing 61% of the \$3.0 billion in retail sales from the four-county Metropolitan Statistical Area in 2012 despite having only 42% of the population. In 2012, the County's total taxable retail sales increased 3.9% over the prior year.
- ▶ The county's unemployment has seen some improvement as the rate declined from 12.0% in June 2011 to 11.3% in June 2012.

### Catawba County's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 7,715,000	\$ 12,110,000	\$ -	\$ -	\$ 7,715,000	\$ 12,110,000
Installment Purchases	19,475,148	48,564,015	-	6,282,897	19,475,148	54,846,912
Certificates of Participation	18,090,000	37,075,000	-	-	18,090,000	37,075,000
Qualified Zone Academy Bonds	500,000	550,000	-	-	500,000	550,000
Qualified School Const. Bonds	25,237,700	27,808,553	-	-	25,237,700	27,808,553
Limited Obligation Bonds	39,787,135	-	5,797,865	-	45,585,000	-
Build America Bonds	7,822,302	8,401,732	-	-	7,822,302	8,401,732
Federal Revolving Loan	-	-	1,350,000	1,350,000	1,350,000	1,350,000
Premium on long-term debt	5,623,497	2,077,346	217,850	-	5,841,347	2,077,346
<b>Total</b>	<b>\$ 124,250,782</b>	<b>\$ 136,586,646</b>	<b>\$ 7,365,715</b>	<b>\$ 7,632,897</b>	<b>\$ 131,616,497</b>	<b>\$ 144,219,543</b>

## BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2013

**Governmental Activities** - The local economy continues to recover slowly. In next year's budget, the property tax rate at \$.53/100 is unchanged from the prior year. Projections include a 1.6 percent increase in property tax revenue and a 1.8 percent increase in sales tax revenue. The County is also budgeting a modest increase of 1.2 percent in operating expenses for a total approved budget of \$226,402,044 for fiscal year 2012-13.

Education continues to represent the largest portion of the local budget, with 48 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 places public safety as a high priority, and accordingly, additional expenditures are planned in this area. The second largest portion of local funds—22 cents of every property tax and sales tax dollar—is spent on public safety.

The County has made reductions over the last four years impacting more than 100 positions. 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. In fiscal year 2012-2013 the County eliminates 6 positions but adds 7 new positions, including 5 in the public safety area. No cost of living allowance is included in next year's budget. The budget includes limited funds to recognize performance—a one percent and \$400 lump sum for employees, available on employee anniversary dates and based on ratings of individual performance. A limited amount of funding is included to address pay inequities in order to keep the County competitive with other jurisdictions through an annual reclassification study.

**Business – type Activities** - The \$8,524,653 budget includes \$6,516,819 for solid waste

operations and \$2,007,834 for water and sewer operations and capital expenditures. The budget commits \$1.2 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.

### 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, 2012**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 91,316,081	\$ 29,076,826	\$ 120,392,907
Taxes receivable - net	3,252,797	-	3,252,797
Due from other governments	15,138,272	1,283,028	16,421,300
Notes receivable	-	261,219	261,219
Other receivables	3,041,441	379,671	3,421,112
Interest receivable	181,488	89,121	270,609
Inventories	338,109	-	338,109
Prepaid items	54,469	928	55,397
Deferred charges	2,931,379	60,538	2,991,917
Restricted cash and investments	6,779,864	21,000,901	27,780,765
Other assets	-	-	-
Capital assets:			
Land, improvements, and construction in progress	15,100,450	32,049,856	47,150,306
Other capital assets, net of depreciation	68,504,376	22,981,516	91,485,892
Total capital assets	<u>83,604,826</u>	<u>55,031,372</u>	<u>138,636,198</u>
Net investment in joint venture	2,143,268	-	2,143,268
Total assets	<u>208,781,994</u>	<u>107,183,604</u>	<u>315,965,598</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	6,047,916	760,580	6,808,496
Unearned revenues	606,488	-	606,488
Liabilities paid from restricted assets	2,609,532		2,609,532
Long-term liabilities:			
Due within one year	16,789,755	659,481	17,449,236
Due in more than one year	117,019,033	16,098,898	133,117,931
Total long-term liabilities	<u>133,808,788</u>	<u>16,758,379</u>	<u>150,567,167</u>
Total liabilities	<u>143,072,724</u>	<u>17,518,959</u>	<u>160,591,683</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	71,902,720	47,665,657	119,568,377
Restricted			
Stabilization by State statute	16,874,025	-	16,874,025
Register of Deeds	50,346	-	50,346
Public safety	4,886,810	-	4,886,810
Fire Protection	859,873	-	859,873
Library Endowment	237,077	-	237,077
Social services scholarships	44,099	-	44,099
Parks preservation	161,597	-	161,597
School capital and construction	4,316,249	-	4,316,249
Hospital capital projects	5,401,200	-	5,401,200
Other	-	-	-
Unrestricted (deficit)	<u>(39,024,726)</u>	<u>41,998,988</u>	<u>2,974,262</u>
Total net assets	<u>\$ 65,709,270</u>	<u>\$ 89,664,645</u>	<u>\$ 155,373,915</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>
\$ 82,056,793	\$ 758,305
-	-
1,360,591	-
-	-
28,290,009	-
83,505	-
5,494,074	1,680,715
4,512,588	-
-	-
21,795,437	-
6,643,833	-
32,653,184	-
71,496,592	1,936,640
<u>104,149,776</u>	<u>1,936,640</u>
-	-
<u>254,386,606</u>	<u>4,375,660</u>
20,330,907	1,194,039
-	-
24,148,504	56,969
53,674,395	-
<u>77,822,899</u>	<u>56,969</u>
<u>98,153,806</u>	<u>1,251,008</u>
55,013,990	1,936,640
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
5,517,682	-
69,059	441,330
95,632,069	746,682
<u>\$ 156,232,800</u>	<u>\$ 3,124,652</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

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	\$ 9,737,258	\$ 2,018,381	\$ 961,540	\$ 1,500,000
Public safety	31,399,814	9,436,724	264,731	-
Environmental protection	459,609	5,100	46,853	-
Economic and physical development	11,657,411	2,287,770	648,147	546
Human services	50,113,468	6,368,320	29,701,087	-
Culture and recreation	2,724,942	61,080	193,840	-
Education	57,134,411	509,420	-	246,184
Interest on long-term debt	4,487,690	-	-	-
Total expenditures	<u>167,714,603</u>	<u>20,686,795</u>	<u>31,816,198</u>	<u>1,746,730</u>
Business-type activities				
Solid waste management	5,797,602	5,704,598	46,958	159,165
Water and sewer	2,462,706	208,051	400,759	1,207,472
Total expenditures	<u>8,260,308</u>	<u>5,912,649</u>	<u>447,717</u>	<u>1,366,637</u>
Total primary government	<u>\$ 175,974,911</u>	<u>\$ 26,599,444</u>	<u>\$ 32,263,915</u>	<u>\$ 3,113,367</u>
<b>Component units</b>				
Catawba Valley Medical Center	\$ 198,579,455	\$ 210,645,930	\$ 839,474	\$ 9,903
Catawba County ABC Board	11,626,122	11,474,583	-	-
Total Component Units	<u>\$ 210,205,577</u>	<u>\$ 222,120,513</u>	<u>\$ 839,474</u>	<u>\$ 9,903</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
\$ (5,257,337)	\$ -	\$ (5,257,337)		
(21,698,359)	-	(21,698,359)		
(407,656)	-	(407,656)		
(8,720,948)	-	(8,720,948)		
(14,044,061)	-	(14,044,061)		
(2,470,022)	-	(2,470,022)		
(56,378,807)	-	(56,378,807)		
(4,487,690)	-	(4,487,690)		
<u>(113,464,880)</u>	<u>-</u>	<u>(113,464,880)</u>		
-	113,119	113,119		
-	(646,424)	(646,424)		
-	(533,305)	(533,305)		
<u>(113,464,880)</u>	<u>(533,305)</u>	<u>(113,998,185)</u>		
			\$ 12,915,852	\$ -
				(151,539)
			<u>\$ 12,915,852</u>	<u>\$ (151,539)</u>
85,663,390	-	85,663,390	-	-
26,394,707	-	26,394,707	-	-
1,517,464	1,585,139	3,102,603	-	-
1,291,370	487,048	1,778,418	1,653,549	14,922
<u>114,866,931</u>	<u>2,072,187</u>	<u>116,939,118</u>	<u>1,653,549</u>	<u>14,922</u>
(775,000)	775,000	-	-	-
<u>114,091,931</u>	<u>2,847,187</u>	<u>116,939,118</u>	<u>1,653,549</u>	<u>14,922</u>
627,051	2,313,882	2,940,933	14,569,401	(136,617)
<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>
<u>\$ 65,709,270</u>	<u>\$ 89,664,645</u>	<u>\$ 155,373,915</u>	<u>\$ 156,232,800</u>	<u>\$ 3,124,652</u>

**CATAWBA COUNTY, NORTH CAROLINA**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>Major Funds</u>		<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
<b>Assets</b>				
Cash and investments	\$ 44,753,286	\$ 24,286,201	\$ 22,276,594	\$ 91,316,081
Taxes receivable - net	3,081,790	-	171,007	3,252,797
Due from other governments	10,571,131	886,410	3,680,731	15,138,272
Other receivables	3,035,729	5,712	-	3,041,441
Interest receivable	102,003	42,082	37,403	181,488
Inventories	338,109	-	-	338,109
Prepaid items	54,469	-	-	54,469
Restricted cash and investments	2,463,615	-	4,316,249	6,779,864
<b>Total assets</b>	<b><u>64,400,132</u></b>	<b><u>25,220,405</u></b>	<b><u>30,481,984</u></b>	<b><u>120,102,521</u></b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	5,221,252	372,869	453,795	6,047,916
Deferred revenues	6,397,320	-	188,555	6,585,875
Liabilities to be paid from restricted assets	1,680,556	-	928,976	2,609,532
<b>Total liabilities</b>	<b><u>13,299,128</u></b>	<b><u>372,869</u></b>	<b><u>1,571,326</u></b>	<b><u>15,243,323</u></b>
<b>Fund Balances</b>				
Nonspendable				
Inventories	338,109	-	-	338,109
Prepaid	54,469	-	-	54,469
Restricted				
Stabilization by State Statute	12,221,688	934,204	3,718,133	16,874,025
Register of Deeds	50,346	-	-	50,346
Public Safety	-	-	2,743,542	2,743,542
Fire Protection	-	-	859,873	859,873
Library Endowment	-	-	237,077	237,077
Scholarship	-	-	44,099	44,099
Parks Preservation	-	-	161,597	161,597
School Capital and Construction	-	-	4,316,249	4,316,249
Hospital Capital	-	-	5,401,200	5,401,200
Committed				
Tax Revaluation	153,881	-	-	153,881
General Capital Reserve	448,620	-	-	448,620
General Capital	-	23,913,332	-	23,913,332
School Construction	-	-	1,815,442	1,815,442
School Capital	-	-	9,594,076	9,594,076
Hospital Construction	-	-	23,725	23,725
Assigned				
Public Health	197,421	-	-	197,421
Social Services	4,640,932	-	-	4,640,932
County Manager	217,313	-	-	217,313
Human Resources	579,873	-	-	579,873
Library	298,313	-	-	298,313
Cooperative Extension	154,516	-	-	154,516
Subsequent year's expenditures	6,542,811	-	-	6,542,811
Unassigned	25,202,712	-	(4,355)	25,198,357
<b>Total fund balances</b>	<b><u>51,101,004</u></b>	<b><u>24,847,536</u></b>	<b><u>28,910,658</u></b>	<b><u>104,859,198</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 64,400,132</u></b>	<b><u>\$ 25,220,405</u></b>	<b><u>\$ 30,481,984</u></b>	<b><u>\$ 120,102,521</u></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, 2012**

Total <i>fund balances</i> for governmental funds (Exhibit 3)	\$ 104,859,198
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	83,604,826
Net Investment in Joint Venture	2,143,268
Some of the County's taxes and revenues 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	5,979,387
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in fund statements	2,931,379
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>(133,808,788)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 65,709,270</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	Major Funds		Non Major Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund	Other Governmental Funds	
<b>Revenues</b>				
Ad valorem taxes	\$ 80,809,063	\$ -	\$ 5,592,619	\$ 86,401,682
Other taxes	19,867,852	2,615,001	4,385,064	26,867,917
Unrestricted intergovernmental revenues	1,839,255	-	-	1,839,255
Restricted intergovernmental revenues	36,129,385	-	1,358,212	37,487,597
Licenses and permits	1,994,746	-	17,621	2,012,367
Sales and services	12,117,015	-	-	12,117,015
Investment earnings	520,342	232,618	210,814	963,774
Miscellaneous	2,919,831	711,921	43,274	3,675,026
Total revenues	156,197,489	3,559,540	11,607,604	171,364,633
<b>Expenditures</b>				
Current				
General government	10,134,171	-	-	10,134,171
Public safety	24,311,033	-	6,438,769	30,749,802
Environmental protection	451,864	-	-	451,864
Economic and physical development	11,009,996	-	297,369	11,307,365
Human services	49,245,126	-	800	49,245,926
Culture and recreation	2,677,465	-	-	2,677,465
Education	39,257,916	-	-	39,257,916
Capital outlay	-	2,933,658	17,876,495	20,810,153
Debt service				
Principal	39,751,528	-	-	39,751,528
Interest	5,023,779	-	-	5,023,779
Sinking fund escrow	1,853,902	-	-	1,853,902
Bond issuance costs	448,255	-	-	448,255
Total expenditures	184,165,035	2,933,658	24,613,433	211,712,126
Excess of revenues over (under) expenditures	(27,967,546)	625,882	(13,005,829)	(40,347,493)
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	6,612	1,428,763	15,056	1,450,431
Transfers to other funds	(2,138,556)	-	(86,875)	(2,225,431)
Sales of capital assets	24,349	-	-	24,349
Installment purchase issued	-	650,000	-	650,000
Refunding limited obligation bonds issued	41,995,366	-	-	41,995,366
Premium on limited obligation bonds	3,873,747	-	-	3,873,747
Payment to refunded bond escrow agent	(17,777,592)	-	-	(17,777,592)
Total other financing sources (uses)	25,983,926	2,078,763	(71,819)	27,990,870
Net change in fund balance	(1,983,620)	2,704,645	(13,077,648)	(12,356,623)
<b>Fund Balances - Beginning of Year</b>	53,084,624	22,142,891	41,988,306	117,215,821
<b>Fund Balances - End of Year</b>	\$ 51,101,004	\$ 24,847,536	\$ 28,910,658	\$ 104,859,198

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, 2012**

Net change in *fund balances* - total governmental funds (Exhibit 4) \$ (12,356,623)

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. (155,693)

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. 159,960

Revenues in the statement of activities that do not provide current financial resources are not recorded as revenues in the funds. (240,295)

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. 14,175,549

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. (955,847)

Change in net assets of governmental activities (Exhibit 2) \$ 627,051

**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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over/Under</u>
<b>Revenues</b>				
Ad Valorem taxes	\$ 79,851,008	\$ 79,851,008	\$ 80,809,063	\$ 958,055
Other taxes	18,456,451	18,456,451	19,867,852	1,411,401
Unrestricted intergovernmental revenues	1,916,000	1,916,000	1,839,255	(76,745)
Restricted intergovernmental revenues	37,480,993	39,628,541	36,129,385	(3,499,156)
Licenses and permits	1,899,839	1,899,839	1,994,746	94,907
Sales and services	13,650,415	13,339,561	12,117,015	(1,222,546)
Investment earnings	803,750	803,750	512,656	(291,094)
Miscellaneous	2,514,478	2,552,643	2,919,831	367,188
Total revenues	<u>156,572,934</u>	<u>158,447,793</u>	<u>156,189,803</u>	<u>(2,257,990)</u>
<b>Expenditures</b>				
Current				
General government	12,254,517	11,811,090	9,766,621	2,044,469
Public safety	24,927,141	25,390,426	24,311,033	1,079,393
Environmental protection	627,937	715,937	451,864	264,073
Economic and physical development	12,272,998	12,340,426	11,009,996	1,330,430
Human services	56,619,794	56,941,001	49,245,126	7,695,875
Culture and recreation	2,922,133	2,972,133	2,677,465	294,668
Education	39,753,652	39,753,652	39,257,916	495,736
Debt service				
Principal	12,060,453	39,385,503	39,751,528	(366,025)
Interest	5,792,430	6,110,496	5,023,779	1,086,717
Sinking fund escrow	1,853,910	1,853,910	1,853,902	8
Bond issuance costs	-	448,405	448,255	150
Total expenditures	<u>169,084,965</u>	<u>197,722,979</u>	<u>183,797,485</u>	<u>13,925,494</u>
Excess of revenues over (under) expenditures	<u>(12,512,031)</u>	<u>(39,275,186)</u>	<u>(27,607,682)</u>	<u>11,667,504</u>
<b>Other Financing Sources (Uses)</b>				
Transfers from other funds	56,612	6,612	6,612	-
Transfers to other funds	(2,510,199)	(2,510,199)	(2,510,199)	-
Sale of capital assets	-	-	24,349	24,349
Installment purchase obligation issued	1,415,475	1,415,475	-	(1,415,475)
Refunding limited obligation bonds issued	-	41,995,366	41,995,366	-
Premium on limited obligation bonds	-	3,873,747	3,873,747	-
Payment to refunded bond escrow agent	-	(17,777,592)	(17,777,592)	-
Fund balance appropriated	13,550,143	12,271,777	-	(12,271,777)
Total other financing sources (uses)	<u>12,512,031</u>	<u>39,275,186</u>	<u>25,612,283</u>	<u>(13,662,903)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(1,995,399)	<u>\$ (1,995,399)</u>
<b>Fund Balances - Beginning of Year</b>			<u>52,488,035</u>	
<b>Fund Balances - End of Year</b>			\$ 50,492,636	
A legally budgeted Tax Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			3,598	
Transfer from other funds			371,643	
Expenditures			(367,550)	
Fund Balance, Beginning			151,272	
A legally budgeted General Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			4,088	
Fund Balance, Beginning			445,317	
Fund Balance, Ending (Exhibit 4)			<u>\$ 51,101,004</u>	

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

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Solid Waste Management Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and investments	\$ 17,061,728	12,015,098	\$ 29,076,826
Due from other governments	162,705	1,120,323	1,283,028
Notes receivable	-	261,219	261,219
Accounts receivables (net of allowance)	360,151	19,520	379,671
Other receivables	31,092	58,029	89,121
Prepaid fees	928	-	928
Deferred charge on debt refunding	-	60,538	60,538
Restricted cash and investments	-	21,000,901	21,000,901
<b>Total current assets</b>	<b><u>17,616,604</u></b>	<b><u>34,535,628</u></b>	<b><u>52,152,232</u></b>
Noncurrent assets			
Capital assets			
Land, non-depreciable improvements, and construction in progress	10,891,829	21,158,027	32,049,856
Other capital assets, net of depreciation	15,511,548	7,469,968	22,981,516
<b>Total capital assets</b>	<b><u>26,403,377</u></b>	<b><u>28,627,995</u></b>	<b><u>55,031,372</u></b>
<b>Total assets</b>	<b><u>44,019,981</u></b>	<b><u>63,163,623</u></b>	<b><u>107,183,604</u></b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	517,682	242,898	760,580
Accrued landfill closure and postclosure care costs	200,294	-	200,294
Installment loan payable	-	368,809	368,809
Installment loan premium	-	14,131	14,131
Compensated absences payable	70,741	5,506	76,247
<b>Total current liabilities</b>	<b><u>788,717</u></b>	<b><u>631,344</u></b>	<b><u>1,420,061</u></b>
Noncurrent liabilities			
Accrued landfill closure and postclosure care costs	8,927,358	-	8,927,358
Installment loan payable	-	6,779,056	6,779,056
Installment loan premium	-	203,719	203,719
Compensated absences payable	37,841	13,741	51,582
Other post employment benefits obligation	133,751	3,432	137,183
<b>Total noncurrent liabilities</b>	<b><u>9,098,950</u></b>	<b><u>6,999,948</u></b>	<b><u>16,098,898</u></b>
<b>Total liabilities</b>	<b><u>9,887,667</u></b>	<b><u>7,631,292</u></b>	<b><u>17,518,959</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	26,403,377	21,262,280	47,665,657
Unrestricted	7,728,937	34,270,051	41,998,988
<b>Total net assets</b>	<b><u>\$ 34,132,314</u></b>	<b><u>\$ 55,532,331</u></b>	<b><u>\$ 89,664,645</u></b>

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, 2012**

**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	\$ 4,152,265	\$ -	\$ 4,152,265
Methane recovery	634,472	-	634,472
Other operating revenues	61,821	-	61,821
Total operating revenues	<u>4,848,558</u>	<u>-</u>	<u>4,848,558</u>
<b>Operating Expenses</b>			
Administration	511,706	81,968	593,674
Recycling	127,702	-	127,702
Solid waste management improvements	330,894	-	330,894
Solid waste code enforcement	84,238	-	84,238
Biodiesel and freon recovery	38,291	-	38,291
Sanitary landfill	2,461,740	-	2,461,740
Landfill closure and postclosure costs	302,136	-	302,136
Convenience centers	337,177	-	337,177
Blackburn landfill methane recovery	616,302	-	616,302
Water and sewer	-	1,897,412	1,897,412
Depreciation	987,416	271,723	1,259,139
Total operating expenses	<u>5,797,602</u>	<u>2,251,103</u>	<u>8,048,705</u>
Operating income (loss)	<u>(949,044)</u>	<u>(2,251,103)</u>	<u>(3,200,147)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Engineering fees	-	24,250	24,250
Sales Taxes - Article 46 - one quarter of one percent	-	1,278,262	1,278,262
Interest on long term debt	-	(211,603)	(211,603)
Investment earnings	167,048	319,999	487,047
Miscellaneous	9,008	101,577	110,585
Municipal revenue sharing	-	482,983	482,983
Scrap tire grant	34,909	-	34,909
Solid waste disposal taxes	306,877	-	306,877
Proceeds from sale of equipment	44,446	-	44,446
Electronics management distribution	12,049	-	12,049
Solid waste capital revenue	802,587	-	802,587
Total nonoperating revenues (expenses)	<u>1,376,924</u>	<u>1,995,468</u>	<u>3,372,392</u>
Income (loss) before contributions and transfers	<u>427,880</u>	<u>(255,635)</u>	<u>172,245</u>
Capital contributions	159,165	-	159,165
American Reinvestment and Recovery Act	-	75,000	75,000
Community development block grants	-	1,132,472	1,132,472
Transfer from General Fund	-	775,000	775,000
Increase (decrease) in Net Assets	587,045	1,726,837	2,313,882
<b>Net Assets - Beginning of Year</b>	<u>33,545,269</u>	<u>53,805,494</u>	<u>87,350,763</u>
<b>Net Assets - End of Year</b>	<u>\$ 34,132,314</u>	<u>\$ 55,532,331</u>	<u>\$ 89,664,645</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, 2012**

**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	\$ 4,888,132	(902,482)	\$ 3,985,650
Cash paid for goods and services	(3,016,744)	(1,828,550)	(4,845,294)
Cash paid to employees	(1,495,343)	(77,335)	(1,572,678)
Other operating revenues	61,821	-	61,821
Net cash provided (used) by operating activities	<u>437,866</u>	<u>(2,808,367)</u>	<u>(2,370,501)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Tire disposal tax	189,994	-	189,994
Solid waste disposal tax	68,558	-	68,558
White goods disposal tax	48,325	-	48,325
Other charges	65,503	-	65,503
Scrap tire grant	34,909	-	34,909
Other taxes	-	1,278,262	1,278,262
Domestic haulers	-	125,827	125,827
Municipal revenue sharing	-	482,983	482,983
Total cash provided by noncapital financing activities	<u>407,289</u>	<u>1,887,072</u>	<u>2,294,361</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Loan proceeds for capital	-	75,000	75,000
Capital contribution-federal grant	-	75,000	75,000
Community development block grant	-	1,132,472	1,132,472
Principal paid on installment notes payable	-	(396,769)	(396,769)
Interest paid on installment notes payable	-	(211,603)	(211,603)
Installment debt refunding	-	(5,952)	(5,952)
Acquisition and construction of capital assets	(502,980)	(233,894)	(736,874)
Transfer from general fund	-	775,000	775,000
Net cash provided (used) by capital and related financing activities	<u>(502,980)</u>	<u>1,209,254</u>	<u>706,274</u>
<b>Cash Flows from Investing Activities</b>			
Investment earnings	<u>171,431</u>	<u>330,868</u>	<u>502,299</u>
Net increase (decrease) in cash and cash equivalents	513,606	618,827	1,132,433
Cash and cash equivalents - beginning of year	<u>16,548,122</u>	<u>32,397,172</u>	<u>48,945,294</u>
Cash and cash equivalents - end of year	<u>\$ 17,061,728</u>	<u>\$ 33,015,999</u>	<u>\$ 50,077,727</u>

**CATAWBA COUNTY, NORTH CAROLINA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

**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	\$ (949,044)	(2,251,103)	(3,200,147)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	987,416	271,723	1,259,139
Increase (decrease) in landfill closure and postclosure care costs	302,136	-	302,136
Changes in assets and liabilities			
(Increase) decrease in refundable sales tax	29,567	(989,302)	(959,735)
(Increase) decrease in other receivables	71,828	1,426	73,254
(Increase) decrease in notes receivables	-	85,394	85,394
Increase (decrease) in accounts payable and other liabilities	(24,299)	68,862	44,563
Increase (decrease) in notes payable	-	-	-
Increase (decrease) in other liabilities	-	-	-
Increase (decrease) in compensated absences	(3,068)	3,141	73
Increase (decrease) in accrued salaries and other benefits	23,330	1,492	24,822
Total adjustments	<u>1,386,910</u>	<u>(557,264)</u>	<u>829,646</u>
Net cash provided by operating activities	<u>\$ 437,866</u>	<u>(2,808,367)</u>	<u>\$ (2,370,501)</u>
Noncash investing, capital and financing activities:			
Contribution of capital assets	159,165	-	159,165
	<u>\$ 159,165</u>	<u>\$ -</u>	<u>\$ 159,165</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, 2012**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and investments	<u>\$ 117,218</u>
 <b>Liabilities</b>	
Miscellaneous liabilities	<u>\$ 117,218</u>

The accompanying notes are an integral part of the financial statements