

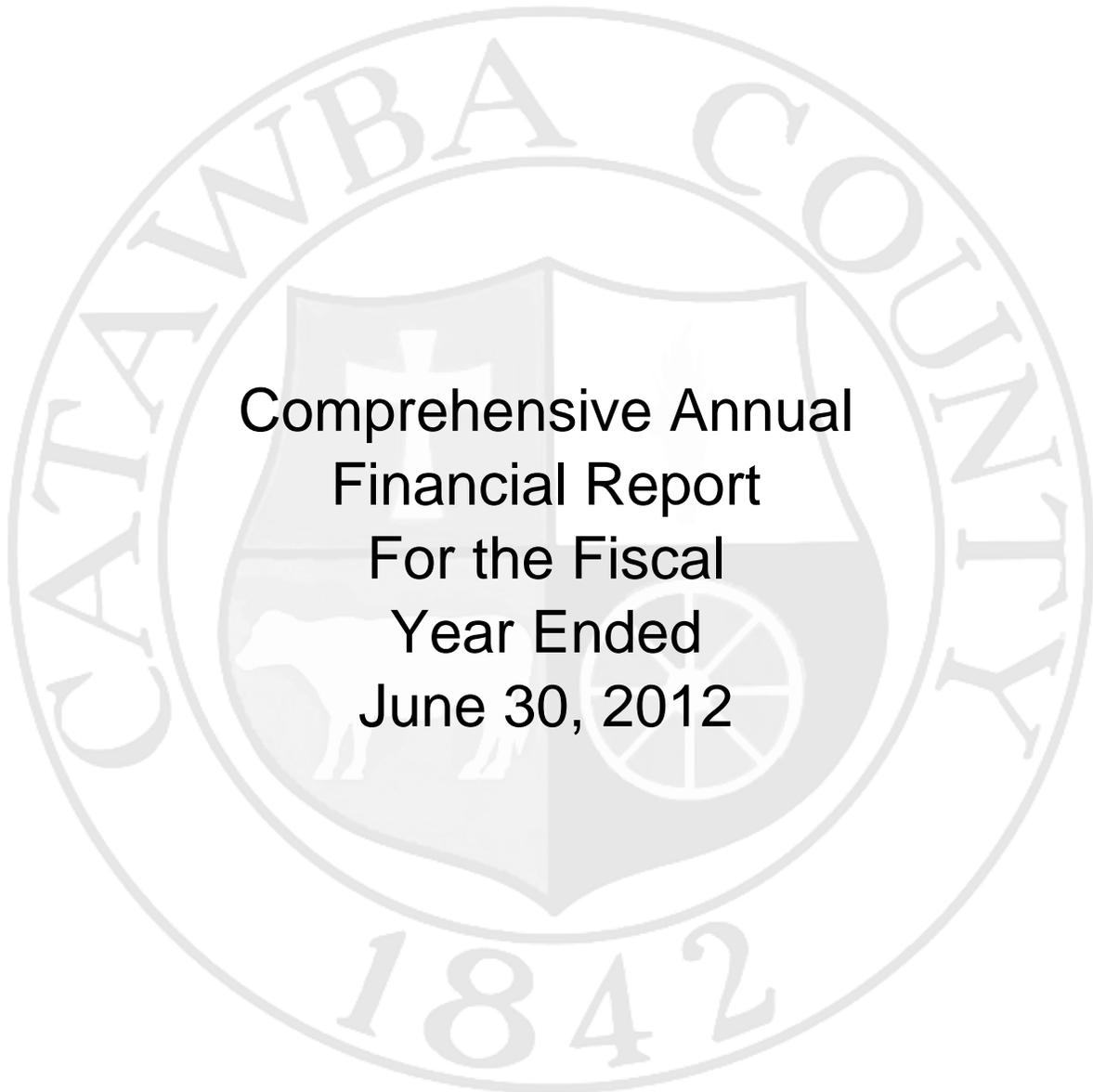


2012 Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2012

Catawba County, North Carolina



Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

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Prepared by Catawba County Finance Department
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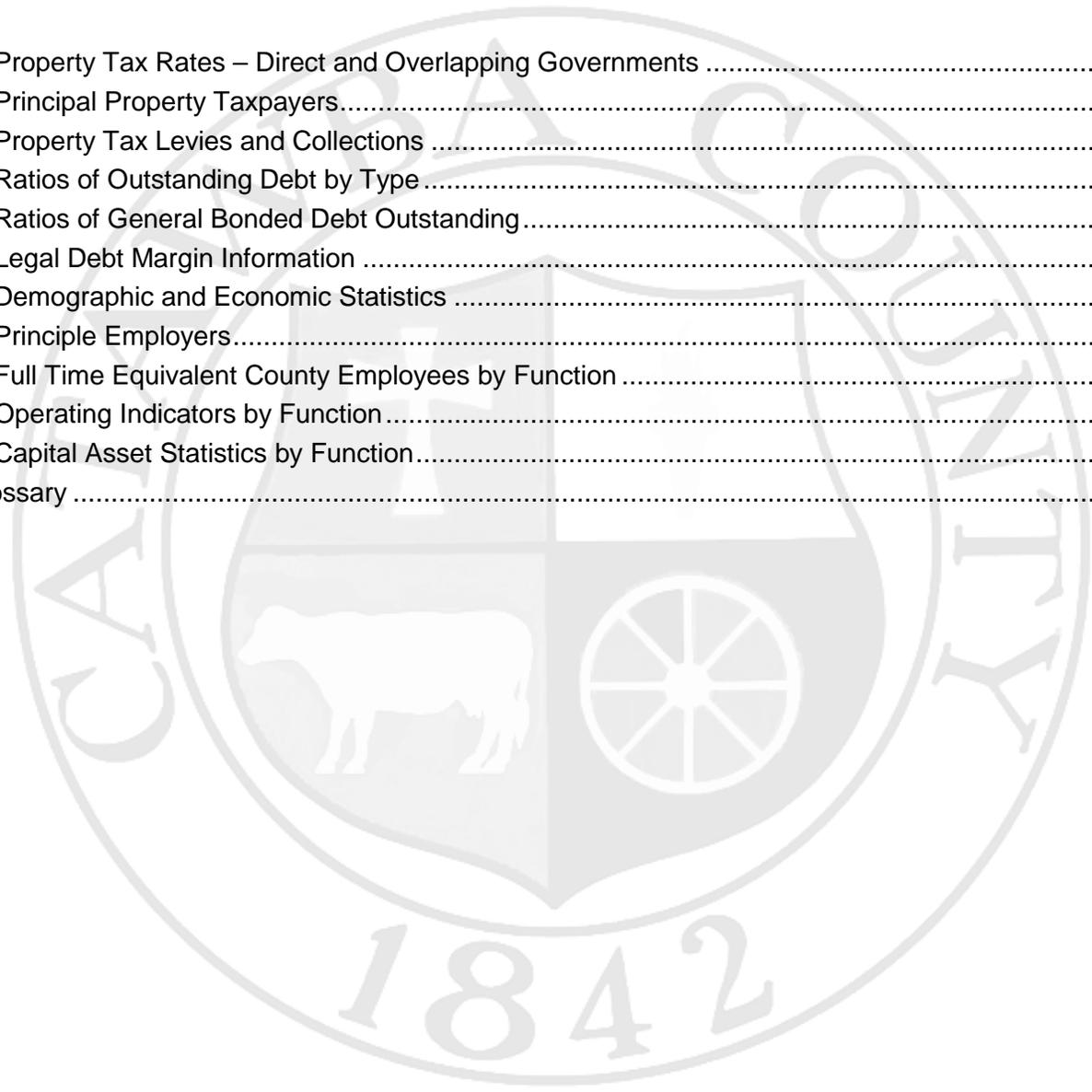
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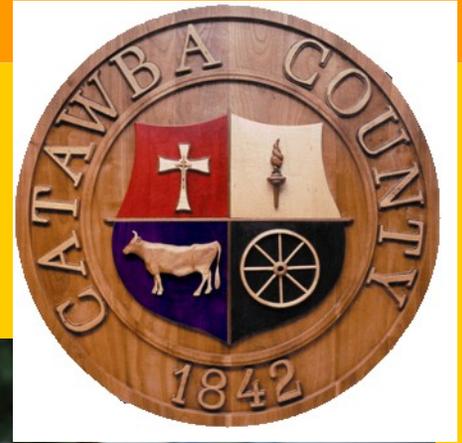
BOARD OF COMMISSIONERS



Catawba County Board of Commissioners

*Barbara G. Beatty, Katherine W. "Kitty" Barnes - Chair, Lynn M. Lail - Vice Chair
Dan A. Hunsucker, C. Randall Isenhower*

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Catawba County Board of Commissioners
and Citizens of Catawba County, North Carolina

November 19, 2012

State law requires that all local governments have its financial records audited as soon as possible after the close of each fiscal year by a certified public accountant using generally accepted auditing standards. It is also required that a local government publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP). Pursuant to those requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) for Catawba County for the fiscal year ended June 30, 2012.

THE REPORT

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

“ . . . we hereby issue the Comprehensive Annual Financial Report of Catawba County for the fiscal year ended June 30, 2012”

The County's financial statements have been audited by Martin, Starnes & Associates, CPAs, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. Issuance of an unqualified opinion means an auditor, upon review of a county's financial statements and accompanying notes, certifies that the financial statements are reliable and represent the true financial condition of the county. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but



also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports, along with the schedule of expenditures of Federal and State awards, findings and recommendations, if any, are published in a separate report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

COUNTY PROFILE

Located in a peaceful valley just east of the Blue Ridge Mountains, Catawba County is a land of scenic beauty, diverse cultures, and thriving industry. Three beautiful lakes are located within its 414 square miles, and the Catawba River winds along its northern and eastern border. The County is named for the river and the Catawba Indians who foraged in the valley and were friendly and helpful to the first German and Scotch-Irish settlers who migrated to the County in 1747.

Catawba County was officially established on December 12, 1842 when Lincoln County was divided by an act of the North Carolina General Assembly. The North Carolina General Assembly passed legislation to the effect that "the present Town of Newton as selected and



laid out shall be the site and location of the courthouse and jail of Catawba County." The County has eight cities and towns and a population of 154,992, ranking 17th largest out of 100 counties in North Carolina.

In 1937, Catawba County became the third county in the State to adopt the Council-Manager form of government. The Board of Commissioners is comprised of a five-member board elected at large on staggered terms in a countywide election. The Board of Commissioners is the policy-making and legislative authority for the County. It is responsible for adopting the annual budget, approving zoning and planning issues and other matters related to the health and welfare of the County. The Board makes appointments to various boards and commissions and appoints the County Manager. The County Manager is the chief executive officer and is responsible for enforcement of laws and ordinances, preparation and administration of the annual budget, delivery of services, implementing policies, managing daily operations and appointment of department heads. The County is fortunate to have stability in its management structure with the County Manager affording the County 40 years of continuous service.

Catawba County provides its citizens with a broad range of services that include public safety, environmental protection, health and human services, cultural and recreational programs, community and economic development, and education. This report encompasses the County's activities in maintaining these services and includes its financial support to certain separate agencies, boards and commissions to assist their efforts in serving citizens. Among these are the Catawba County, Hickory City and Newton-Conover City Schools, Catawba Valley Community College (CVCC), Catawba County Economic Development



Corporation and the Hickory Metro Convention and Visitors Bureau.

The annual budget serves as the foundation for the County's financial planning and control. Each year all County departments are required to submit requests for appropriation to the County Manager, who then compiles a proposed balanced budget and presents it to the Board of Commissioners for review. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the County's fiscal year.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the County operates.

LOCAL ECONOMY

Catawba County's unemployment rate has decreased over the past two years from 12.9% in June 2010 to 12.0% in June 2011 to 11.3% in June 2012. Though the rate has not declined as quickly as hoped, it continues to fall from its peak of 15.6% in March 2009, the highest rate in the County since 1975. Catawba County continues to be home to a large industrial base, heavily concentrated in manufacturing. Catawba County's mainstay industries have stabilized and positive indications are apparent, with a trend to "re-shoring" of furniture manufacturing via consolidation back into Catawba County, a steady growth in fiber-optic and telecommunications investment and employment, and continued reinvestment by newer industry sectors. The county and region are renowned as a furniture-manufacturing and distribution center, with approximately 500,000 annual visitors to two furniture malls and twenty miles of furniture stores between Hickory and Lenoir, two of the largest cities in the region. Furthermore, the County has been a leader in the manufacture and development of fiber optics and telecommunications equipment for more than a decade, producing approximately 40% of the world's supply of fiber optic cable at its peak

and still providing significant employment opportunities for county residents. In addition to a large manufacturing and industrial base, the County is supported by a strong service-sector, currently accounting for half of the economic engine in the county. A transformation has occurred over the last twenty years as many furniture and textile jobs moved overseas where cheaper labor could be used for the manufacture of these products. As a result, the local economy is less reliant on its manufacturing base as it has reduced from 56% in 1990 to 27% today.

In the early years of the latest recession, job losses extended to the telecommunications and automotive industries as major employers including Corning, CommScope, Shurtape Technologies/Shuford Mills, Hickory Springs, and Getrag all reduced their workforce, though not nearly as severe as the prior economic recession in the early part of the decade. Since the recession ended, these layoffs have leveled off with only a few announced closings in the county. In 2011, GoldToeMoretz closed two distribution centers in the County, resulting in the loss of 66 jobs. This was a result of the sale of the company to Gilbane, a non-resident parent and the consolidation of facilities to achieve more operational efficiencies. Also, the US Postal Service closed its mail distribution facility in Conover.

Fortunately, the County has experienced some significant expansion of several companies recently. These include industries across the spectrum from traditional industries to the high-tech sector:

- Sarstedt opened a \$14 million fully-automated distribution center in Newton creating 20 jobs.
- Hollar Hosiery Investments is making a \$3 million investment into a vacated textile mill to house a new brewery by Skull Coast Brewing Co., a new restaurant and event space.
- Cargo Transporters added \$25 million in equipment and 50 new jobs for professional drivers.
- Shurtape Technologies invested \$1.2

million to renovate a high-profile building for a relocation of its headquarters in Hickory.

- Synthetic Finishing, a textile product finishing company announced a \$1 million expansion that moves its headquarters to the Hickory area that will include 46 new jobs.

Finally, several car dealerships that survived the economic recession have undergone major renovations the past eighteen months, spending more than \$10.5 million, most notably Mike Johnson Toyota (\$5.8 million) and Crossroads Nissan (\$3 million).

The County continues to actively recruit and attract companies with a focus on Information-based Industries, Emerging Energy and Alternative Energy facilities and producers, and Advanced Manufacturing, touting the County's skilled workforce and a high concentration of manufacturing support systems. In 2011 and 2012, some of these endeavors included:

- Fairmont Designs, a California-based home furnishings manufacturer, invested \$1.5 million and created 200 jobs in a former Thomasville Furniture plant for their east coast operations.
- Turbocoating Corp., an Italian manufacturer of coatings for turbines announced plans to add 110 jobs and invest \$15 million over the next three years in Hickory.
- Lee Industries expanding its operations and adding 75 new jobs in Conover,.
- Smart Electric N.A., based in Taiwan, is opening its American headquarters in Conover as it ventures into the manufacturing of industrial lighting so it can be closer to its U.S. customers.
- Punker LLC, a German manufacturer of fan wheels and blowers is adding a \$4.2 million plant and 62 jobs in Hickory.
- Bed Bath & Beyond is investing more than \$36 million in Claremont for their corporate data center creating 7 jobs initially.

In the past two years, 32 projects, most of them in manufacturing and production, have resulted in more than \$162.8 million in new investment and more than 1,600 jobs.

An \$8 million downtown redevelopment project in a former Broyhill Furniture complex is being created on a 27-acre site in Conover. Designed to support our manufacturing effort, the Manufacturing Solutions Center (MSC) has relocated, increasing its space from 8,000 to 20,000 square feet and is the centerpiece of the effort. The center's mission is to provide services for new and existing manufacturing companies, including product testing, research and development support and assistance, marketing support, website design, and assistance with export sales. To date, it has worked with large manufacturers such as Lee Industries, Nike, Hanes Brands and HBF furniture. In addition, it works with smaller startup companies such as EntoGenetics, which manufactures high-tech textiles that use fibers spun by genetically engineered silkworms. MSC helped the company locate specialized manufacturers capable of handling the material and weaving it into finished products for both military and civilian clients. It also develops partnerships with trade groups, colleges and universities. The project has received \$2.7 million in State and Federal grant funds since inception.

Additionally, targeted efforts have been made over the last few years to significantly add to the employment opportunities for county citizens, diversify the County's economic base from traditional manufacturing and textiles, and increase the property tax base. Three recent examples of this include: a Target distribution center in Newton, providing approximately 600 new jobs year-round and up to 900 seasonal positions within the County. The \$90 million facility is the largest



distribution facility in the Charlotte region at 1.6 million square feet and is a prototype for Target's regional distribution centers, serving 60 to 80 retail stores; Fiserv, a Fortune 500 company rated number one among the largest technology providers to the financial services industry, has opened in a previously vacant facility and employs 419 people. Convergys, another nationally recognized service operation, recently located in Hickory and has grown to over 675 employees.

The County secured the largest economic development project in its history with the announcement of Apple, Inc's. commitment to invest \$1 billion in Maiden and has constructed a data center in a 500,000 square foot facility to house its iCloud suite of services. Despite a commitment to create only 50 "badged" Apple positions over 9 years, the project has already created more than 100 new "Apple-badged" jobs in phase one, and employs an additional 150 permanent full-time contract workers on-site. The 183-acre site was marketed as a multi-jurisdictional park to attract a data center similar to the Google, Inc. complex in an adjacent county, with large amounts of power and water available, and included more than 750 construction jobs during the construction phase. The location of these two large projects has assisted economic development efforts in marketing the region as the "NC Data Center Corridor" a location with favorable labor conditions, abundance of fiber optics infrastructure, easy access to major airports and a high quality of life.

In 2011, Apple, Inc. began to develop a 170-acre site adjacent to the current facility for a 20-megawatt solar panel farm, the largest end-user farm in the country, which was not in the original plans for the data center. Most recently, Apple announced a \$3 million purchase of 200 acres in Conover for a second solar farm that will generate an additional 20-megawatts of power built by SunPower Corporation Systems. Earlier this year, a new 21,000 square foot "tactical" data center was permitted adjacent to the main data center in addition to a 5-megawatt fuel cell installation (also the largest in the country), which will be powered by 100% biogas and have

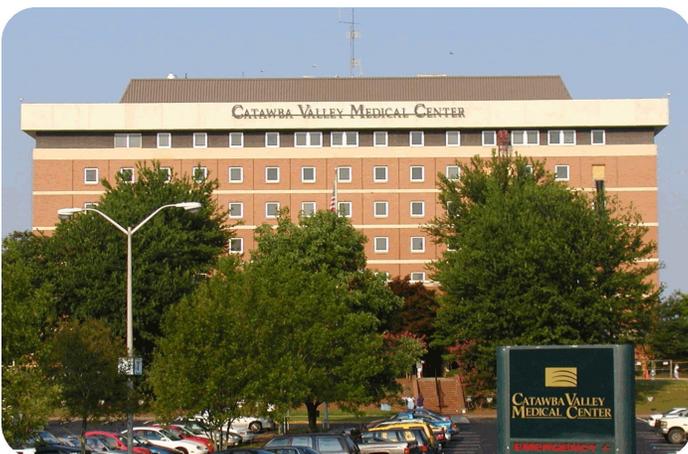
a taxable value of more than \$6 million. With all projects combined, Apple will produce enough energy to power the equivalent of 10,874 homes. Catawba County, being home to Apple's only east coast operations facility, has benefited from a great deal of national exposure as a result, having recently been written up in USA Today and interviewed by the London Sunday Times and the Washington Post for upcoming articles on Data Center recruitment. With the various projects completed and recently announced, it is expected that Apple will be a cornerstone of the county's economic future and trigger other economic development projects in the area. One such project announced in late-2012 is a solar project by Strata Solar from Chapel Hill. The company plans to develop a 40 acre solar farm in the county, generating 5 megawatts of power and employing 200 people for electrical and construction jobs during construction. An additional 17.5 megawatt solar project was permitted by the NC Utilities Commission in November to SunPower for an additional project in the City of Claremont.

A multi-jurisdictional park has been established with the County and the municipalities of Hickory, Conover, Maiden and Catawba. The partnership has agreed on a 70-acre site in Conover and has secured a \$2.6 million Community Development Block Grant from the NC Department of Commerce. The funds will be used to install infrastructure at the site including electric power supply, water and sewer, natural gas and telecommunications. Catawba County's share of the project stands at 57 percent, and will share in the expenses and the revenues of a future project in the park. The site will be marketed for other data center users in campus-style setting, similar to the site Apple purchased in Maiden.

Another economic development initiative in the county is the Greater Hickory Classic, a PGA Tour's Champions Tour golf event held at the Rock Barn Golf and Spa in Conover that receives support from the business community and local governments, including the County. Business North Carolina magazine ranked Rock Barn 18th in its annual top 100 Golf Courses in the State of North Carolina for 2011. The 2012

event occurred in October for the tenth consecutive year, and once again was broadcast on the Golf Channel that is available in 120 million homes worldwide and provides an estimated economic benefit to the County of \$15 million.

The County is also a major medical hub, with a prospering medical and health care community, and two large medical centers, one county-owned and both profitable. Catawba Valley Medical Center, a county-owned facility, was granted its third Magnet designation from the American Nurses Credentialing Center last year, becoming one of only 30 hospitals in the nation to receive the designation three times. The Magnet program recognizes health care organizations that provide the very best in nursing care and professionalism in nursing practice, resulting in the gold standard for nursing excellence. In addition, Catawba Valley Medical Center was named one of the top five hospitals in North Carolina for overall orthopedic services in 2011. The Medical Center recently completed a \$25 million expansion and renovation of its surgical suite, creating three new operating rooms and renovating the others with new technology. The project was financed with bonds offered through the American Recovery and Reinvestment Act, which gave a 35%-45% tax credit on the interest payable over the life of the loan. A second phase of expansion is currently underway, which includes the construction of a five-story addition totaling \$33 million that will house a Women's and Oncology



Pavilion. The project is scheduled to be complete in the spring of 2013.

Frye Regional Medical Center, which celebrated its 100-year anniversary earlier this year, was named number one in the state of North Carolina and in the top 5% of U.S. hospitals for cardiac surgery and patient safety in 2011 by



HealthGrades, the leading independent healthcare ratings organization in the nation. They were one of only 238 hospitals in the country to receive this designation. In previous years, they have received the Distinguished Hospital award from J.D. Power and Associates, a global marketing information services firm, for providing an outstanding inpatient experience and service excellence to its visitors. The medical center has won this award four times in 2005, 2006, 2008 & 2010. With approximately 1,500 employees, the medical center is a strong corporate partner of the County, as well as the sixth largest property taxpayer for 2011.

Retail sales in the County increased by 3.9% in 2012, on top of a 2.5% increase the year before. This comes after declines of 1.8% and 10.9% the prior two years during an economic recession. **Catawba 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 (MSA), compared to only 42% of the population.

Though Catawba County's population ranks 17th largest in North Carolina, its retail sales per capita rank 12th highest out of 100 counties. One reason for this is a sizeable furniture presence still remaining in the County, with approximately 150 retail furniture showrooms and outlets as well as two internationally known furniture malls totaling 1.3 million square feet of exhibit space.

The county has been a leader in environmental initiatives, one of the first local governments in the country to capture landfill gas and convert to electricity through a co-generation process, producing enough electricity to power 1,400 homes annually. In 2010-11, Catawba County was ranked first in the state out of 100 counties in the amount of recycling per capita, totaling more than 56,000 tons. It was also the first county in the state to offer curbside recycling to its citizens.

In addition to Apple, Inc., the county continues to receive national and state recognition, which will hopefully increase economic development opportunities in the County:

- **The County was recognized in BIODIESEL Magazine** in August 2011 for the grand opening of its biodiesel research facility, a partnership between the County and Appalachian State University, who received a grant from the Golden LEAF Foundation to build a biodiesel research facility using the electricity and heat generated at the facility.

- ▶ The facility provides testing and research for biodiesel manufacturers in western NC and produces biodiesel from agricultural crops at the landfill and surrounding farms.
- ▶ This is the first facility of its kind in the state and meets Leadership in Energy and Environmental Design (LEED) standards.
- The County's EcoComplex is a Regional Biosolids Processing Facility that is designed to improve the ecology of Catawba County and promote economic development by attracting jobs in the green energy, agricultural and environmental sectors.
 - ▶ The facility received a \$30,000 grant in late 2010 to install wireless broadband service to assist researchers at partner universities and to remotely monitor equipment at the site.
 - ▶ Currently, two businesses are located at the facility producing wood products.
- In March 2012, **Site Selection Magazine ranked the region tied for 9th place in the nation for economic development announcements** for metropolitan areas with populations of 200,000 to 1 million. This was based on 23 projects in the four-county region the year before, with at least 20,000 square feet of new floor space, \$1



million in investment and at least 50 employees.

- Catawba County was named one of the **Top 10 Digital Counties in the nation by the Center for Digital Government in 2012** for its move to “virtual” technology over the last five years, reducing 70 physical computer servers to 18 that run more than 300 virtual servers improving efficiency in technology operations.

LONG-TERM FINANCIAL PLANNING

Beginning in 2007, the County began preparing an eight-year Capital Improvement Plan (CIP) to anticipate and plan for future capital expenditures, which is updated on an annual basis. As of June 30, 2012, \$196 million in capital needs have been identified over the next eight years, which includes approximately \$90 million in school and community college construction needs.

To pay for the school and community college projects, the Catawba County Board of Commissioners began another four-year funding cycle in fiscal year 2011-12 by dedicating one cent of the property tax rate, equal to approximately \$1.5 million, along with \$1.5 million in annual lottery funds in addition to pledging the amount of school/community college debt retired each year towards new construction. This provides funding for \$68.9 million in new construction needs over the next four years for all three school systems and CVCC. The County completed the first year of the new funding plan in the 2011-12 fiscal year by using those funds for an elementary school addition, renovations to two existing schools and campus improvements at the community college.

As the county continues to grow, planning for infrastructure is essential to encouraging orderly economic development, preventing urban sprawl, and accommodating that growth in adequate facilities. In 2007, the NC General Assembly agreed to assume responsibility for Medicaid costs from counties, phasing out those costs over three years and reducing local sales tax revenues to help pay for the change. Furthermore, counties were allowed to

implement a new revenue option, either a ¼ cent sales tax or a land transfer tax, approved by local referendum. The new ¼ cent sales tax passed by an overwhelming majority in November 2007 for Catawba County. This revenue source is currently providing approximately \$4.2 million a year in revenue and has been a long-term goal for Catawba County, which has looked for the State to provide relief from the ever-increasing cost of Medicaid and to provide additional revenue options to keep up with growth in the County without relying solely on the property tax. Some of the additional funds are being used for the addition of courtroom space (a county responsibility), a new 911 Communication Center and Emergency Operations Center (EOC). The County is currently in the design development stage of the project and expected to be ready for bid in late 2013.

The remaining sales tax revenues are being set aside for economic development, education, and water and sewer needs in the county. The Board of Commissioners continued a policy of setting aside funds, one half cent on the property tax rate or \$.75 million in fiscal year 2011-12, to be used for strategic water and sewer projects



throughout the county. Those funds, along with an additional \$1.3 million in sales tax revenues will help fund approximately \$35 million in water and sewer needs identified over the next eight years. In the past, Catawba County has received significant grant funding from the American Recovery and Reinvestment Act (ARRA) for water projects. ARRA funds were also used for school construction in the County in the form of Qualified School Construction

Bonds, which provide a 100% interest subsidy from the Federal Government to the County. These bonds have been issued for several school projects including a new LEED certified middle school for Newton-Conover Schools and expansion of an elementary, middle and high school for Catawba County Schools totaling approximately \$27 million. **The bonds had a fifteen-year term and were issued at a net 0% rate to the County, resulting in interest savings of more than \$9.3 million over the life of the loans.**

Another long-term initiative by the County is to improve the educational attainment of the region, which has ranked last out of 14 metro areas across the State. Catawba County continues to commit almost fifty cents of every local dollar towards education, which has funded several efforts over the years such as increasing local teacher supplements, helping to attract and retain the best and brightest teachers in the County and funding much needed technology updates for all three school systems to help foster a positive learning environment for our children.

Those efforts were confirmed by the latest year-end results for the school systems. Catawba County Schools ended the 2010-11 year with an 86.2 percent graduation rate, which was ninth highest out of 115 school districts and first among medium-sized school districts in the State in four-year cohort rates. Hickory Public Schools had 71.2% of the senior class take the SAT exam last year, compared to 64% across the State; also, they had a combined average SAT score for math and reading of 1050 compared to 1001 in the other school districts. Newton-Conover Schools achieved an 85.2 percent rate for students who graduated in four years for the 2010-11 school year, well above the average of 77.9% in North Carolina.

Furthermore, the County continues to support higher education initiatives in the region. Catawba Valley Community College, one of the original seven members of the NC System of Community Colleges, receives annual funding from the County to support its three schools: Business , Industry and Technology; Health and

Public Services; Academics, Fine Arts and Education. County funding levels are currently 15th highest out of 58 community colleges in the state. Another education opportunity for its citizens is the Hickory Metro Higher Education Center opened in 2003 through a partnership with Catawba County, the City of Hickory, Catawba Valley Community College, Lenoir-Rhyne University and Appalachian State University (ASU). Since opening, HMHEC has provided a unique collaborative learning experience to the area that serves the needs for graduate, undergraduate, non-credit certificate courses, research and specialized workforce training. In 2009, the Appalachian State University Greater Hickory Partnership was established between Appalachian State University and the three community colleges in the Hickory-Lenoir-Morganton region. The partnership coordinates delivery of Appalachian's off-campus degree programs in four regional centers: the ASU Center at Hickory and the North Carolina Center for Engineering Technologies (NCCET) in Catawba County, the ASU Center at Burke and the ASU Center at Caldwell. During the 2010-2011 academic year, 900 students were expected to pursue Appalachian degrees at these four centers.

The ASU Partnership also includes the NC Center for Engineering Technologies, which resides in a 55,000 square foot facility in Hickory and focuses on applied research in engineering-related fields and serves as a conduit to baccalaureate education delivered by University of North Carolina system schools. The primary schools involved in the center are Appalachian State University, Western Carolina University, University of North Carolina – Charlotte, Catawba Valley Community College, Caldwell County Community College and Technical Institute, and Western Piedmont Community College. The Center collaborates with other schools in bringing the best programs to the region to meet employment needs. This effort began as a regional economic development initiative and has become reality with public and private contributions of more than \$2.5 million. It is currently offering undergraduate degree programs enabling individuals employed in business, industry and State-related occupations

AWARDS AND ACKNOWLEDGEMENTS

to pursue a four-year degree through part-time evening study.

With the Hickory Metro region having the distinction as the largest metropolitan statistical area in the state without a public university presence, it is hoped that these efforts will help the County remain economically viable by giving its citizens additional higher education opportunities that are desperately needed.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (CAFR) to Catawba County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Catawba County has received a Certificate of Achievement for the last 30 consecutive years. We believe this current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

In addition, the County has prepared and will be submitting a Popular Annual Financial Report (PAFR) to GFOA for 2011-12. This is the fifth time the County has prepared a PAFR, which is designed to provide citizens and other users with easily understood information about a government's finances and economic condition in

a more condensed fashion. PAFRs are supplements to, not replacements for CAFRs and are reviewed by a Popular Reporting Task Force and GFOA. The county has received an award for this report for four years in a row and hopes to make it a fifth with the 2011-12 entry.

Finally, the County also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated July 1, 2011.

This is the twenty-third consecutive year that the County has received this award. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

ACKNOWLEDGEMENTS

Each County department's strong commitment to the goals, vision and mission statements of the County government is reflected in the services provided to the residents of Catawba County. We appreciate the cooperation of all the County

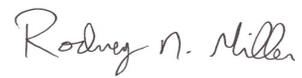
departments in carrying out the financial activities encompassed in this report. The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Special recognition is extended to Jeanne Jarrett and Kenneth Maynor, along with Martin, Starnes & Associates, CPAs for their assistance with the report.

In closing, we thank the Catawba County Board of Commissioners for its leadership and support in making Catawba County a fiscally sound, well-governed community.

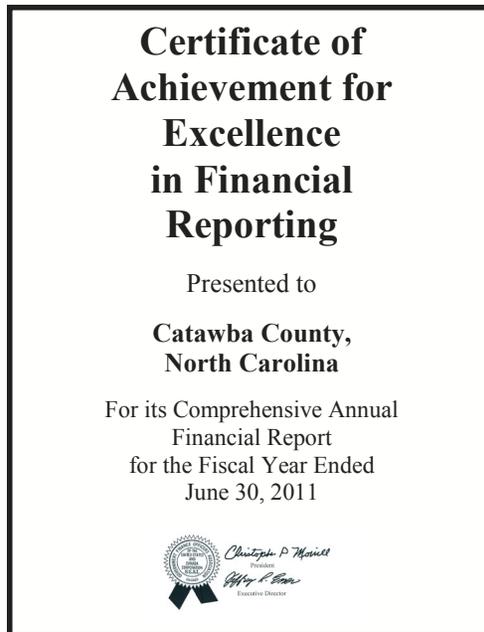
Respectfully submitted,



J. Thomas Lundy
County Manager



Rodney N. Miller
Finance Director





COUNTY OF CATAWBA

