

2013

Annual Financial Highlights



Fiscal Year Ended June 30, 2013

CATAWBA
COUNTY
North Carolina

Board of Commissioners



(Front row left to right)

Barbara G. Beatty - Vice Chair, Katherine W. "Kitty" Barnes - Chair, Lynn M. Lail

(Back row left to right)

Dan A. Hunsucker, C. Randall Isenhower

Catawba County Government

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.

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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.

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Message from Management



demographic data are taken from various sources and are not necessarily GAAP based. Additional financial information can be found in the CAFR, available at Catawba County public libraries and online at www.catawbacountync.gov/depts/finance/.

If you have any questions regarding this report, please contact the Finance Director at (828)465-8210, or write to: Finance Director, Catawba County, P.O. Box 389, Newton, NC 28658.

Citizens of Catawba County:

We are proud to present the Catawba County Financial Highlights for fiscal year 2012-2013.

In today's complex world of financial reporting, analyzing financial statements can be a challenge—especially for those without accounting backgrounds. This report was designed to address that issue by providing a recap of your County government's finances in an easy to read format.

The financial statements used in this report are simplified and condensed to reflect financial information regarding Catawba County's government-wide information. The County's government-wide financial statements provide information on revenues, expenses, and net position of Catawba County for the fiscal year ending June 30, 2013.

Most of the information in this report is drawn from the financial information appearing in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The CAFR is a more detailed and complete financial presentation prepared in accordance with Generally Accepted Accounting Principles (GAAP) and was audited by the County's independent external auditors. While the financial data in this report conforms with GAAP, the statistical, economic and



J. Thomas Lundy
J. THOMAS LUNDY
County Manager



Rodney N. Miller
RODNEY N. MILLER
Finance Director



Condensed Financial Statement

The consolidated Financial Statements are presented in conformity with Generally Accepted Accounting Principles (GAAP). For a copy of the full 2013 Comprehensive Annual Financial Report including audited Financial statements, which includes more detailed information, please contact Catawba County Finance at (828)465-8210 or visit www.catawbacountync.gov

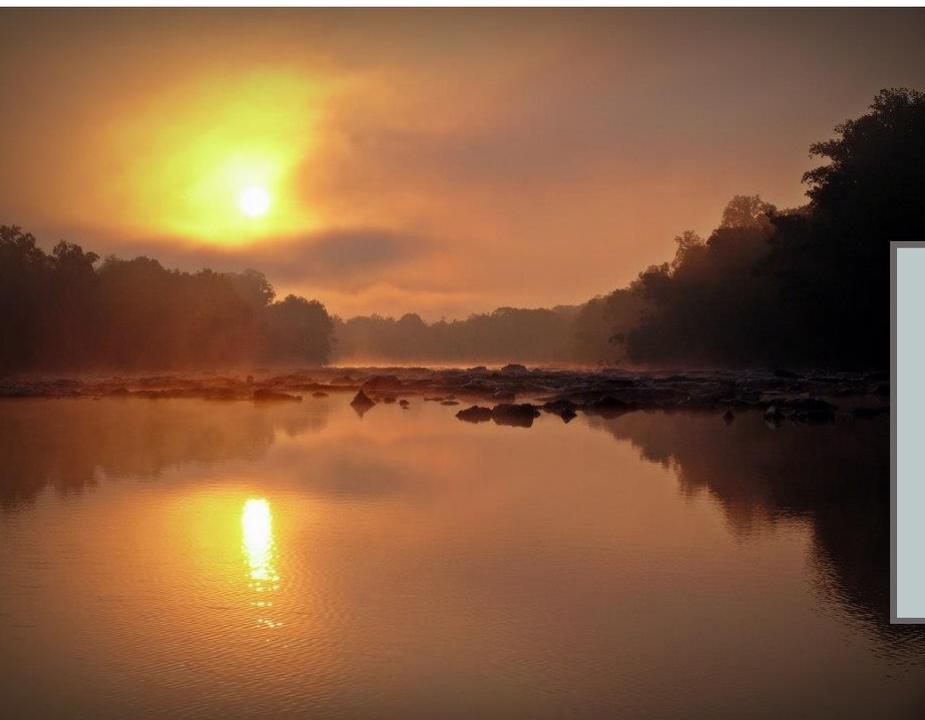
About Catawba County

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 405 square miles, and the Catawba River winds along its western, northern and eastern border.

Early Catawbans were either refugees or descendants of refugees from European political strife. Most were German and Scotch-Irish, who initially settled in Pennsylvania and migrated to the south when converging factors of crowding and under-employment evolved. 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 arrived in 1747.

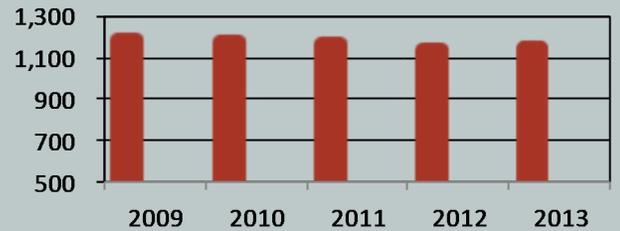
Catawba County was officially established on December 12, 1842 when Lincoln County was divided by an act of the North Carolina General Assembly. The County has eight cities and towns and a population of 154,992, ranking 17th out of 100 counties in North Carolina.

Catawba County has it all—beautiful climate with four seasons that are distinct as they are mild, challenging places to work, low cost of living, vast array of recreational opportunities, arts and culture and an unparalleled lifestyle. It is an ideal place to live, work, play, raise a family and retire.



FACTS & FIGURES

Full Time County Employees 2009-2013

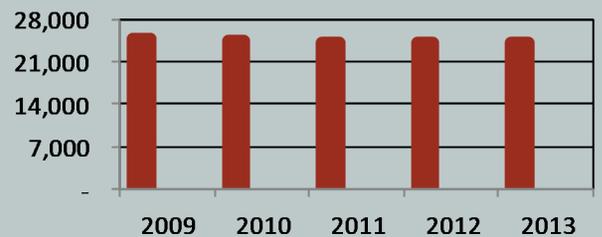


Catawba County Principal Employers

- Catawba County Schools
- Catawba Valley Medical Center
- Frye Regional Medical Center
- CommScope, Inc.
- Catawba County Government
- HSM Solutions (Hickory Springs)
- Corning Cable Systems
- Ethan Allen, Inc.
- G&A Outsourcing (Convergys)
- Pierre Foods

	2009	2013
Population	157,073	155,494
Debt per Capita	\$832	\$994
Property Tax	\$0.535	\$0.530
Median Age	38.1	40.3
Labor Force	77,651	72,912

School Enrollment 2009-2013

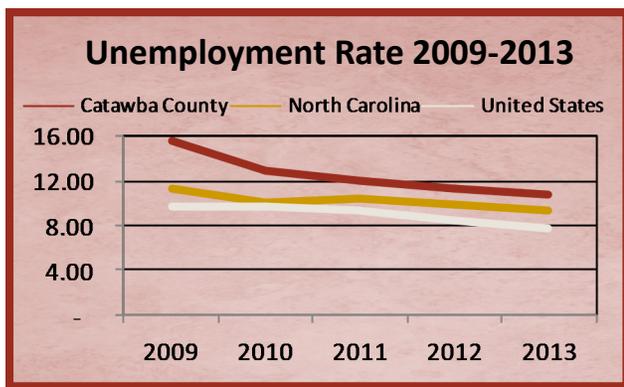


Catawba County continued its efforts to create a desirable environment for business.

Local Economy

Since the national recession officially ended in the U.S. in June 2009, the local economy continues to improve.

The downward trend in the unemployment rate has remained steady over the past two years from 12.2% in July 2011 to 11.3% in July 2012 to 10.3% in July 2013.



Catawba County remains a retail magnet for the region, capturing 60% of the \$2.9 billion in retail sales from the four county Metropolitan Statistical Area. Though Catawba County's population ranks 17th largest in North Carolina, its retail sales per capita ranks 12th highest out of 100 counties.

Economic Development

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 tax base.

- HSM Solutions, formerly Hickory Springs Manufacturing is expanding its manufacturing facility with a \$3.3 million investment and creating 162 new jobs.
- Moretz Mills is investing more than \$8 million to renovate its 84 year old hosiery mill that will turn an 83,000 square foot factory building into a mixed-use complex to house a restaurant, gym, spa, therapy business and possibly apartments.
- CR Laine Furniture, a fixture in the community since 1958, is expanding its facilities and adding 50 new employees.

- Von Drehle Corporation formed Blue Ridge Molding, an injection molding company that plans to make dispensers for Von Drehle's paper products and is investing \$1.7 million and creating 18 new jobs.
- Bed Bath & Beyond invested more than \$36 million for their corporate data center in Claremont.
- Punker LLC, a German manufacturer of fan wheels and blowers added a \$4.2 million plant and 62 jobs in Hickory.
- Taiji Group, a Chinese Paper Company is locating its first US manufacturing operation in Conover, investing \$3 million and 78 new jobs over 4 years.
- GKN Driveline, a manufacturer of automotive driveline components, invested \$6.8 million in new equipment to serve their growing customer base.
- Earlier this year, Lee Industries invested \$2.5 million into expansion and relocated its corporate headquarters to Conover adding 75 new jobs.

In the past year, the County has added more than \$102.5 million in new investment and more than 625 jobs.



A community event based in Catawba County with positive economic impact is the Greater Hickory Kia Classic, a PGA Tour's Champions Tour golf event held in Conover since 2003 that receives support from the business community and local governments, including the County.

The 2013 event occurred in October for the eleventh consecutive year and was broadcast on the Golf

Channel that is available in 120 million homes worldwide and provides an economic benefit to the County of \$15 million.

Another strategy includes the formation of a multi-jurisdictional industrial park funded by various local govern-



ments in the county. This concept became successful with the announcement of the County's largest economic development project in its history: Apple, Inc. invested \$1 billion in Maiden to construct a data center in a 500,000 square foot facility to house its iCloud suite of services.

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. The location of these two large economic development 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 the development of a 170-acre site adjacent to the current facility for a solar panel farm, the largest end-user farm in the country. Most recently, Apple, Inc. announced a \$3 million purchase of 200 acres in Conover for a second solar farm. With all projects combined, Apple will produce enough energy to power the equivalent of 10,874 homes. Home to Apple's only east coast operations facility, Catawba County has benefited from a great deal of exposure with recent articles in USA Today, London Sunday Times and the Washington Post.



Education

The County has invested in its educational future by continuing to support higher education initiatives in the region. 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 Partnership also includes the NC Center for Engineering Technologies, which 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 Center collaborates with other schools in bringing the best programs to the region to meet employment needs.

Environmental Concern

The County has been a leader in environmental initiatives. In 2011-12, the County was ranked 2nd in the state out of 100 counties in the amount of recycling per capita, totaling more than 54,000 tons. It was also the first county in the state to offer curbside recycling to its citizens.



The County's EcoComplex has won multiple awards the last few years, most recently receiving the 2013 Energy Leadership Award in the Charlotte Business Journal for "playing a key role in making the Carolinas a

global player in the energy industry.” Carolinas a global player in the energy industry”. The 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. Currently, two businesses are located at the facility producing wood products.



CATAWBA COUNTY
EcoComplex

Medical

The County is also a major medical hub with two large medical centers, one county-owned and both profitable.

Catawba Valley Medical Center (CVMC), a county-owned facility, was granted its third consecutive **Magnet designation from the American Nurses Credentialing Center** becoming one of only 30 hospitals in the nation to receive the designation three times. Earlier this year, CVMC received the **2013 QUEST Award for High-Value Healthcare** from Premier, recognizing a re-



duction in harm, mortality, readmissions and costs, while improving the patient experience.

Frye Regional Medical Center, which celebrated its 100-year anniversary last year, received the **Women’s Choice Award for Excellence in Orthopedics in 2013**. In

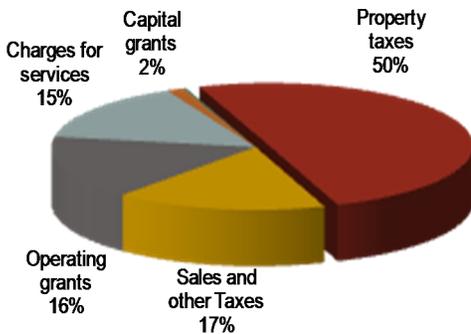
2012, they received the **American College of Cardiology Foundation’s Platinum Performance Achievement Award** for implementing a higher standard of care for heart attack patients.

With approximately 1,500 employees, the medical center is a strong corporate partner of the County.

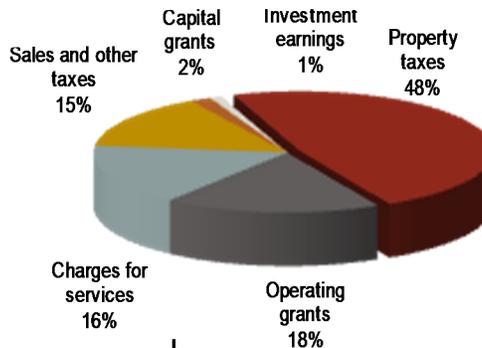


Financial Highlights

2013 Revenues by Source (General & Program Revenues)



2012 Revenues by Source (General & Program Revenues)



The statement of activities reports revenue by source using government-wide reporting standards. To assist the reader in understanding what makes up the various sources referenced, we have provided the following detailed listing.

General Revenues

Property taxes, sales and use taxes and investment earnings.

Program Revenues

Operating Grants

State, federal, other government and private contributions to fund specific programs.

Charges for Services

Assessment and tax collection fees, auditing and accounting fees, communication services, legal services, planning and engineering services, animal control fees, law enforcement services, recording fees, health fees, business licenses, construction permits, zoning permits, other licenses and permits, fines and forfeitures, penalties on delinquent taxes, tax garnishment fees and election, parks, library and solid-waste fees.

Capital Grants

State, federal, other government and private contributions to fund capital purchases for specific programs.



Where the Money Comes From:

Property Taxes	89,347,893
Sales and other Taxes	29,781,350
Operating Grants	29,226,520
Charges for Services	27,071,848
Capital Grants	2,591,861



Where the Money was Spent:

Education	57,519,210
Human Services	48,863,130
Public Safety	31,236,944
Economic Develop./Environ. Protection	13,288,560
General Government.	9,760,225
Solid Waste Management	5,927,016
Interest on long-term debt	3,602,099
Culture & Recreation	2,776,547
Water & Sewer	2,090,105

The County incurs a number of expenses to provide a variety of quality services to its citizens. The following list provides details to define what County departments are included in each of the functional categories listed in the statement of activities.

Animal Control, E911 Communication Center.
Economic Development & Planning
 Planning & Zoning, County Parks, Utilities & Engineering and Facilities.
Environmental Protection
 Cooperative Extension, Soil & Water

Conservation and Forest Ranger.

General Government

County Manager, Board of Commissioners, Legal Services, Budget, Tax Assessor, Tax Collector, Board of Elections, Human Resources, Self Insurance, Register of Deeds, Finance, Purchasing.

Solid Waste Management

Blackburn Landfill, Recycling, Convenience Centers, Household Hazardous Waste and Methane Recovery.

Culture and Recreation

County Branch Libraries and other cultural activities.

Water and Sewer

Water and sewer management.

Expenses by Function

Education

Catawba County Schools, Newton-Conover Schools, Hickory City Schools and Catawba Valley Community College.

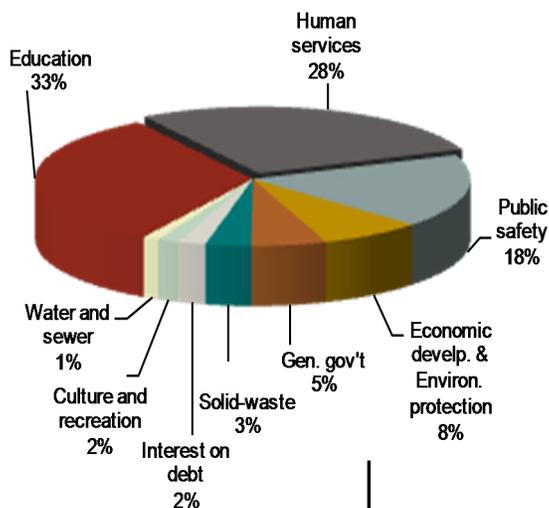
Human Services

Social Services, Public Health, Mental Health and Medical Examiner.

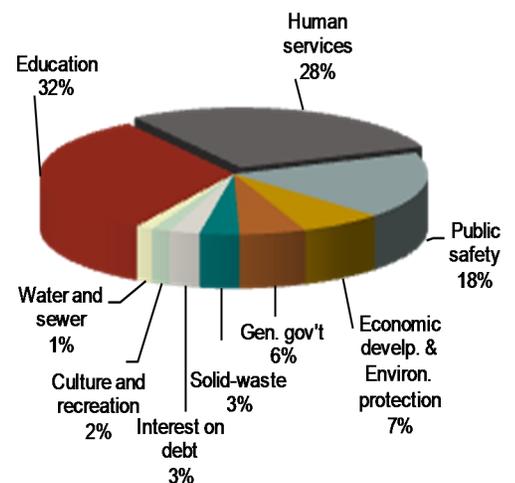
Public Safety

Sheriff, Emergency Services, Fire/Rescue Services, Veterans Services,

2013 Expenses by Function

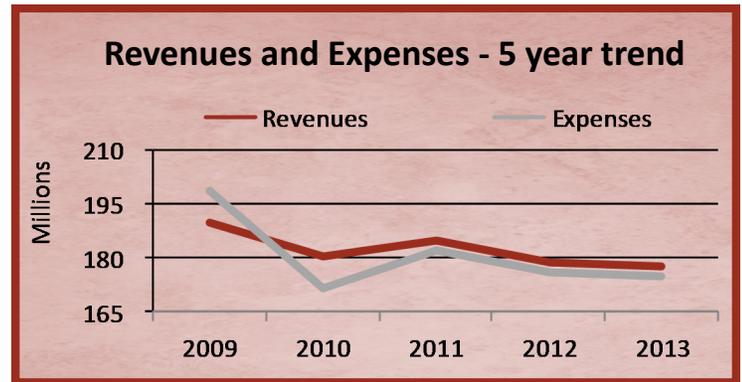


2012 Expenses by Function



Government-wide financial statements provide financial information about the County as a whole. These statements distinguish between two types: governmental and business-type activities. Governmental activities generally are financed through taxes and other general revenue sources while business-type activities are financed in whole or in part by fees charged to external parties for the services provided.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement



for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected taxes or expenditures pertaining to earned but unused vacation and sick leave).

The Statement of Activities at the left shows that the most significant variances in revenues were: a decrease in operating grants of \$3 million; a decrease in investment earnings of \$2 million and finally an increase in property tax revenues of \$3.7 million.

The most significant variances in expenses on the Statement of Activities are: (1) a decrease in human services expenses of \$1.2 million, (2) interest on long-term debt decreased by \$885,000 due to refunding prior debt with lower current interest rates, and (3) an increase of economic and physical development of \$1.1 million. As the State has eroded funding to schools and community colleges over the past several years, Catawba County has remained steadfast in its commitment to education.

While it has been a year of economic uncertainty, there have been several positive but modest signs of economic recovery in recent months, signaling what many hope to be a turning point. As the community bounces back, Catawba County is committed to supporting the recovery by making strategic investments in services that contribute to the quality of life that citizens of the County have come to expect.

The Statement of Net Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Statement of Activities Primary Government

	2013	2012	Change
REVENUES:			
Program revenues:			
Charges for services	\$ 27,071,848	\$ 26,599,444	\$ 472,404
Operating grants	29,226,520	32,263,915	(3,037,395)
Capital grants	2,591,861	3,113,367	(521,506)
General revenues:			
Property taxes	89,347,893	85,663,390	3,684,503
Sales and other taxes	29,781,350	29,497,310	284,040
Investment earnings	(278,527)	1,778,418	(2,056,945)
Gain (loss) on sale of capital asset	(3,302)	-	(3,302)
Total revenues	177,737,643	178,915,844	(1,178,201)
EXPENSES:			
General government	9,760,225	9,737,258	22,967
Public safety	31,236,944	31,399,814	(162,870)
Environmental protection	508,073	459,609	48,464
Economic and physical development	12,780,487	11,657,411	1,123,076
Human services	48,863,130	50,113,468	(1,250,338)
Cultural and recreation	2,776,547	2,724,942	51,605
Education	57,519,210	57,134,411	384,799
Interest on long-term debt	3,602,099	4,487,690	(885,591)
Solid waste management	5,927,016	5,797,602	129,414
Water and sewer	2,090,105	2,462,706	(372,601)
Total expense	175,063,836	175,974,911	(911,075)
Change in net position	2,673,807	2,940,933	(267,126)
Net Position, Beginning	155,373,915	152,432,982	2,940,933
Net Position, Beginning, restated	155,171,138	-	-
Net Position, Ending	\$157,844,945	\$155,373,915	\$ 2,471,030

The County's total net position increased \$2,471,030 for the fiscal year ended June 30, 2013. Below are the components of net position and their respective fiscal year-end balances.

Net Investment in capital assets represents \$124,365,542 of the County's total net position for fiscal year 2013. This consists of land, buildings, improvements other than buildings, machinery, equipment, vehicles and construction in progress, net of accumulated depreciation, and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

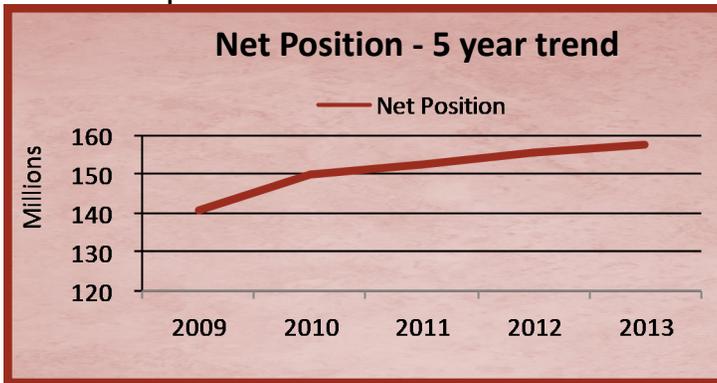
Restricted net position accounts for \$50,910,338 of the County's total net position for fiscal year 2013.

This component of net position represents external restrictions imposed by creditors, grantors, contributors, or laws and regula-

tions of other governments or through constitutional provisions or enabling legislation.

Outstanding long-term debt off \$154,634,710 consists of general obligation bonds, installment purchases, certificates of participation and federal revolving loans. The outstanding debt obligations consist of the following purposes: Education, Public Safety Jail Expansion, Water and Sewer Projects and Technology.

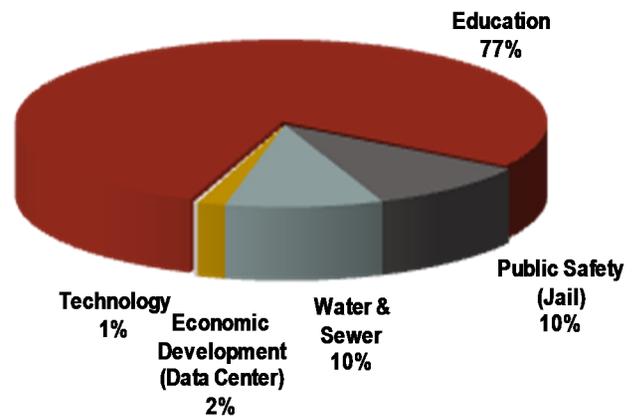
Catawba County maintained for the 4th consecutive year, its Aa1 bond rating from Moody's Investors Service and for the 9th consecutive year, its AA rating from Standard and Poor's. These strong ratings allow the County to issue debt, vital to the County infrastructure, at a lower cost and reflect the sound financial condition of the County.



Statement of Net Position Primary Government

	2013	2012	Change
ASSETS:			
Current and other assets	\$206,908,240	\$177,329,400	\$ 29,578,840
Capital assets	143,217,845	138,636,198	4,581,647
Total assets	<u>350,126,085</u>	<u>315,965,598</u>	<u>34,160,487</u>
Deferred outflows of resources	<u>3,619,161</u>	<u>-</u>	<u>3,619,161</u>
LIABILITIES:			
Long-term liabilities	180,799,760	150,567,167	30,232,593
Other liabilities	14,123,156	10,024,516	4,098,640
Total liabilities	<u>194,922,916</u>	<u>160,591,683</u>	<u>34,331,233</u>
Deferred inflows of resources	<u>977,385</u>	<u>-</u>	<u>977,385</u>
NET POSITION:			
Net investment in capital assets	124,365,542	119,568,377	4,797,165
Restricted	50,910,338	32,831,276	18,079,062
Unrestricted (deficit)	(17,430,935)	2,974,262	(20,405,197)
Total net position	<u>\$157,844,945</u>	<u>\$155,373,915</u>	<u>\$ 2,471,030</u>

Uses of Outstanding Debt 2013



Capital Investment

Catawba County continues strategic investments in the high priority areas of education, public safety, economic development and quality of life.

As of June 30, 2013, the County's capital assets for both its governmental and business-type activities amounted to \$89,902,655 in depreciable assets (net of depreciation) and \$53,315,190 in nondepreciable assets. The capital assets include land, buildings, improvements other than buildings, machinery, equipment, vehicles and construction in progress.

Major projects in progress or completed in fiscal year 2013 included the following.



Longview Elementary School (\$11 million)

Construction of a new elementary school began in 2012. The new school will replace the current Longview Elementary School, which was constructed in 1956 and is the oldest school in the district. The new school will open to students in the fall of 2014.

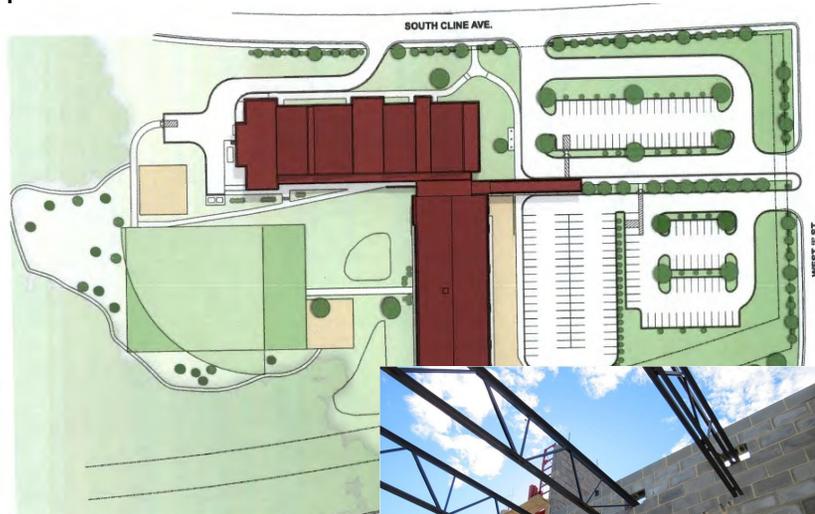
Animal Shelter (\$3.5 million)

Construction of a new Animal Shelter is scheduled to open January 2014. This new shelter will provide many benefits, including space for 233 animals, a drive through "sally port" for animal intakes, separate intake and adoption areas, indoor/outdoor runs and a designated quarantine area.

To improve the adoption experience, this new shelter also includes an indoor adoption area to allow potential pet adopters to spend time with the animals prior to adoption.



South Newton (\$11 million)



In 2013, construction began on the construction of a new elementary school at the current South Newton site. The school will serve 400-450 students and contain 22 new classrooms, computer lab, 2 exceptional children self contained rooms, up to 4 small resource rooms, music room, art room, gym, new library and cafeteria. Projected completion is scheduled for 2014.



CVCC Vocational Building (\$16.7 million)

Construction is set to begin on a new 97,000 square foot business and industry complex on the campus of Catawba Valley Community College.



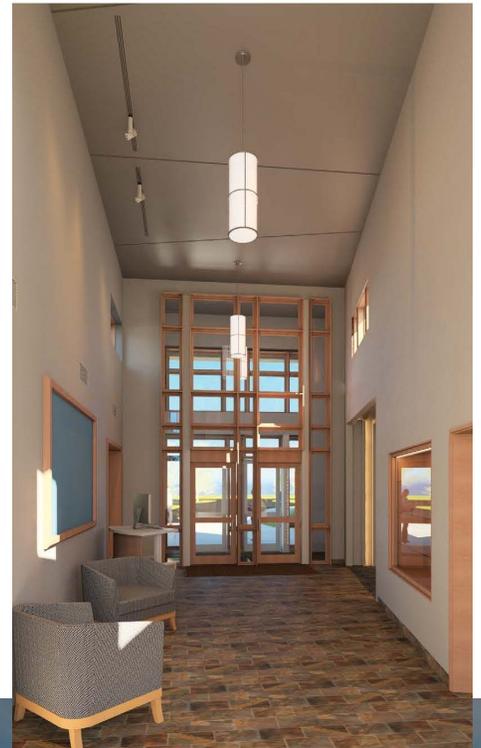
Sherrills Ford Branch Library (\$2.2 million)

During 2013, construction began on the new 10,030 square feet Sherrills Ford Library. Located in the County's fastest growing region this new building will offer two self-checkout stations, mobile bookshelves, and no centralized circulation desk. This design was developed to promote flexibility for the library patron. In

addition to traditional library functions, the larger space will serve as a community center. A multipurpose /



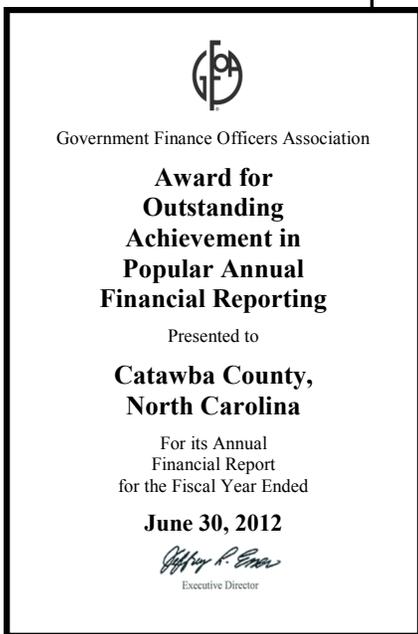
meeting room will be available for community meeting use, which can be configured to hold as many as 80 people. This space is ideal for community events as it includes its own storage room, kitchenette, and entrances/exits. The new branch is projected to open in late Spring 2014.



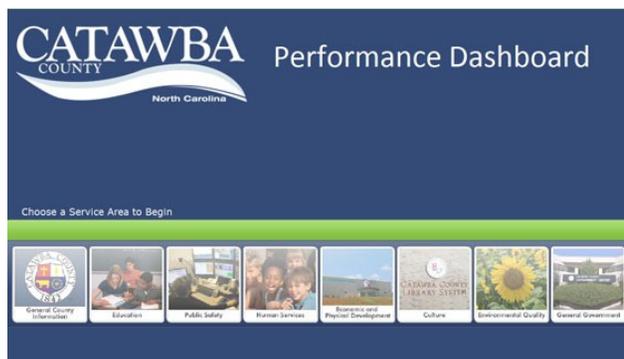
Achievements

Catawba County is known across the nation as the home of an innovative county government. Our innovation is reflected in numerous awards. These awards are won in competition with thousands of other outstanding programs across the state and nation. Here are several of the most significant awards for FY2013.

The Government Finance Officers Association (GFOA) of the United States and Canada has given an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to Catawba County for its Annual Report Financial Highlights for the fiscal year ended June 30, 2012. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. Catawba County has received this award for the last four consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA.



The National Association of Counties (NACo) **Achievement Awards for the Performance Dashboard** which may be accessed at <http://www.catawbacountync.gov/budget/PerformanceDashboard.asp>. The dashboard offers users a choice of exploring data sets grouped into eight categories.



Digital County Survey Award presented by the Center for Digital Government (CDG) ranked Catawba County as the number one ranked county nationally in its Top 10 Digital Counties Survey Awards among counties with a population between 150,000 and 249,999 people.



The Department of Social Services was awarded the **Excellence in Innovation Award** from the North Carolina Association of County Commissioners/Local Government Credit Union for their Educational Advocate program. The Educational Advocate is a full-time social worker who serves as a liaison with the county's three public school systems and focuses on the educational achievement, stability and continuity of children from their entry into foster care through post-care.



The Government Finance Officers Association (GFOA) of the United States and Canada presented the Budget Office the **Distinguished Budget Presentation Award** for the development of an easily understood budget document which can be used by other governmental units or the average citizen.



Visit Catawba County's Official Website

www.catawbacountync.gov



The County's Website is your source for information about County policies, services and events 24 hours a day, seven days a week. Visit www.catawbacountync.gov and find information on employment opportunities, community events, Board of Commissioner agendas, meeting schedules, operating hours, tax information and much more.

Residents can also take advantage of many online services:

- Pay a tax bill
- Search the County library catalog
- Pay permit fee
- Sign up for e-news
- Subscribe to the County newsletter
- Review your property information
- Sign up for community alert system
- Use the online deed search
- Find the County on Facebook
- Follow Catawba County on Twitter
- Sign up for RSS feeds
- Access County forms...and more!



My Catawba County Mobile App

Finance Department

For more information on financial matters of Catawba County, please call the Finance Department at (828) 465-8210.

DIRECTORY OF OFFICIALS

Board of Commissioners

- Kitty W. Barnes, Chair
- Barbara G. Beatty, Vice-Chair
- Dan A. Hunsucker
- C. Randall Isenhower
- Lynn Mull Lail

County Manager

Tom Lundy

Assistant County Manager

- Mary Furtado
- Dewey Harris

County Clerk

Barbara Morris

Finance Director

Rodney Miller



Catawba County Finance Department

Catawba County, North Carolina
Popular Annual Financial Report
Year Ended June 30, 2013

