

CATAWBA COUNTY, NORTH CAROLINA
INVESTMENT POLICY

SCOPE

This investment policy applies to all financial assets of Catawba County. The County combines the cash resources of its various funds into a single pool in order to maximize investment earnings. Each fund's portion of total cash and investments is shown by fund type in the combined balance sheet of the County's Comprehensive Annual Financial Report. This policy applies to all transactions involving the financial assets and related activity of all the various funds accounted for in the County's Comprehensive Annual Financial Report.

OBJECTIVES

Funds of the County will be invested in accordance with North Carolina General Statute 159-30, the County's Investment Policy and written administrative procedures. The County's investments shall be undertaken in a manner that (1) seeks to ensure the preservation of capital in the overall portfolio (safety), (2) provides for sufficient liquidity to meet the cash needs of the County's various operations (liquidity), and (3) attains a fair market rate of return (yield). Cash management functions will be conducted in such a manner as to ensure that adequate funds will always be available to meet the County's financial obligations and to provide the maximum amount of funds available for investment at all times.

RESPONSIBILITY

In accordance with North Carolina General Statutes, the Finance Director is designated as the Investment Officer of the County and is responsible for the County's financial assets. The Finance Director is also responsible for investment decisions and activities and shall develop and maintain written administrative procedures for the operation of the cash management and investment program, consistent with North Carolina General Statutes. In order to promote the efficiency of investment duties and related activities, the Finance Director may, at his option, designate one or more members of his staff to perform the functions of cash management and investing. Such delegation shall not relieve the Finance Director of responsibility for all transactions and executions performed by the designated individuals.

The standard of prudence to be used by the Investment Officer shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. It states that investment officers acting in accordance with North Carolina General Statutes, this policy, written administrative procedures, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

ETHICS AND CONFLICTS OF INTEREST

The Finance Director, designated Investment Officer and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees shall disclose to the County Manager any material interests in financial institutions

that conduct business with Catawba County, and they shall further disclose any personal financial/investment positions that could be related to the performance of the County's portfolio. This disclosure need not include normal banking or brokerage relationships that are at normal market rates and conditions available to the general public.

STATUTORY AUTHORIZATION

The legal limitations of local government investments are defined in N.C.G.S. 159-30. Accordingly, the following classes of securities are indicative of the investments utilized by Catawba County:

- A. Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- B. Obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Farmers Home Administration and the U.S. Postal Service.
- C. Obligations of the State of North Carolina.
- D. Deposits at interest or purchase of certificates of deposit with any bank, savings and loan association or trust company in North Carolina, provided such deposits or certificates of deposit are fully collateralized.
- E. Prime quality commercial paper bearing the highest rating of at least one nationally recognized rating service and not bearing a rating below the highest (A1, P1, F1) by any nationally recognized rating service which rates the particular obligation.
- F. Participating shares in a mutual fund for local government investment (such as the N.C. Capital Management Trust), which is certified by the N.C. Local Government Commission.

ADMINISTRATIVE RESTRICTIONS

In addition to the previously noted limitations on appropriate securities, Catawba County's investment activities are further restricted in the following manner:

- A. It is the policy of Catawba County to diversify its investment portfolio. Assets held shall be diversified to eliminate the risk of loss resulting from the over concentration of assets in a specific issuer or specific class of securities. Diversification strategies shall be determined and revised periodically by the Finance Director. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.
 - Catawba County will invest its short-term investments (< one year) based on cash flow analysis
 - Catawba County will invest minimal levels in money market funds or local government investment pools unless these instruments have higher yields
 - Short-term investments will be aggressively managed to maximize yield

- Reserve funds and other funds with longer-term investment horizons (> one year) will be invested in higher yield, longer maturing investments to maximize the investment opportunity available.

B. Catawba County recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize default risk. No individual investment transaction shall be undertaken that jeopardizes the capital position of the overall portfolio. In the event of a default by a specific issuer, the Finance Director shall review and, if appropriate, proceed to liquidate securities having comparable credit risks.

SELECTION OF SECURITIES

The Finance Director, or his designee, will determine which instruments shall be purchased and sold, and the desired maturity date(s) that are in the best interest of the County. All brokers and dealers transacting business with the County must be licensed to do business within North Carolina. They must also have extensive knowledge of NC General Statutes and have references from other North Carolina local governments. The selection of an instrument will involve the evaluation of, but not be limited to, the following factors:

- A. Cash flow projections and requirements
- B. Current market conditions
- C. Overall portfolio balance and makeup
- D. Relative liquidity of the instrument

CUSTODY AND SAFEKEEPING OF SECURITIES

Catawba County will maintain a third party safekeeping account for all investments (generally provided by the County's primary bank), or take physical possession of them. Some securities, primarily certificates of deposit, will not be kept in the third party safekeeping account, but will be kept by the Investment Officer in the vault of the County Finance Department. Transactions will be processed on a delivery versus payment basis, which insures that securities are deposited in an eligible financial institution prior to the release of funds.

INTERNAL CONTROLS

The Finance Director is responsible for establishing and maintaining a system of internal controls. The internal control structure shall be designed to provide reasonable assurances that the assets of Catawba County are protected from loss, theft, or misuse by third parties or County employees. Accordingly, the Finance Director shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures.

REPORTING

The Finance Director shall prepare an investment report on a semi-annual basis, including a management

summary that provides an analysis of the status of the current investment portfolio. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Average weighted yield to maturity of portfolio on investments.
- Listing of investments by maturity date.
- Percentage of each type of investment in the total portfolio.

CATAWBA COUNTY, NORTH CAROLINA
Schedule of General Governmental Expenditures by Function¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Environmental Protection	Economic & Physical Development	Human Services	Culture and Recreation	Education	Capital Projects	Interest on Long-term Debt	Total
2004	\$ 7,654,774	18,701,908	343,334	12,075,442	59,973,114	2,412,593	39,661,513	3,055,058	143,877,736	287,755,472
2005	\$ 8,383,352	19,900,883	447,428	9,567,712	66,858,370	2,543,170	57,377,775	4,223,199	169,301,889	338,603,778
2006	\$ 9,593,037	20,926,787	481,844	9,383,320	67,310,514	2,687,546	65,203,410	4,956,696	180,543,154	361,086,308
2007	\$ 9,001,933	22,897,052	504,416	12,054,976	66,083,707	2,771,008	52,216,062	4,909,742	170,438,896	340,877,792
2008	\$ 11,203,800	26,316,167	546,680	10,827,271	74,150,353	2,760,614	50,388,730	4,584,583	180,778,198	361,556,396
2009	\$ 10,172,611	28,263,640	539,138	10,743,831	56,066,282	2,830,192	78,130,574	5,163,100	191,909,368	383,818,736
2010	\$ 10,533,518	29,076,572	495,248	10,627,991	51,688,459	2,830,504	53,825,312	5,411,021	164,488,625	328,977,250
2011	\$ 9,795,648	30,599,650	508,248	9,713,902	51,350,294	2,733,249	65,072,007	4,998,419	174,771,417	349,542,834
2012	\$ 9,737,258	31,399,814	459,609	11,657,411	50,113,468	2,724,942	57,134,411	4,487,690	167,714,603	335,429,206
2013	\$ 9,760,225	31,236,944	508,073	12,780,487	48,863,130	2,776,547	57,519,210	3,602,099	167,046,715	334,093,430

Accrual Basis of Accounting

Note:

¹Includes General, Special Revenue, and Capital Projects Funds.

CATAWBA COUNTY, NORTH CAROLINA
Schedule of General Governmental Revenues by Source¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Property taxes	Local option sales taxes	Other taxes	Unrestricted Intergovernmental	Investment earnings	Gain (loss) on sales of capital assets	Transfers	Total
2004	63,381,711	26,988,268	1,456,338	1,336,917	642,647	-	-	93,805,881
2005	64,264,969	28,690,324	1,807,700	-	2,876,185	-	(692)	97,638,486
2006	65,459,626	29,984,796	2,015,798	-	4,099,093	-	(1,271)	101,558,042
2007	68,378,012	33,760,033	2,135,782	-	6,069,443	-	-	110,343,270
2008	82,048,071	35,299,813	2,119,554	-	5,786,693	-	(2,750)	125,251,381
2009	84,738,225	32,272,780	1,605,323	-	4,023,446	-	(43,853,720)	78,786,054
2010	84,763,108	26,692,186	1,263,135	-	2,115,680	-	(3,700,000)	111,134,109
2011	85,440,972	26,504,695	1,491,355	-	1,136,085	-	(3,561,973)	111,011,134
2012	85,663,390	26,394,707	1,517,464	-	1,291,370	-	(775,000)	114,091,931
2013	89,347,893	26,644,767	1,548,870	-	(183,818)	9,169	(775,000)	116,591,881

Accrual Basis of Accounting

Note:

¹Includes General, Special Revenue, and Capital Projects Funds.

Audit, Table2

CATAWBA COUNTY, NORTH CAROLINA
Assessed Valuation and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Public Utilities	Total Assessed Value	Total Direct Tax Rate	Estimated Real Market Value
2003	8,265,105,733	2,796,143,745	507,720,148	11,568,969,626	0.495	12,965,336,351
2004	9,513,468,457	2,640,843,044	517,072,839	12,671,384,340	0.495	12,715,889,955
2005	9,722,396,729	2,680,617,427	539,742,782	12,942,756,938	0.480	13,033,994,902
2006	9,919,033,408	2,558,398,877	545,842,516	13,023,274,801	0.480	13,499,818,390
2007	10,174,785,855	2,614,088,394	570,452,150	13,359,326,399	0.490	14,124,895,749
2008	11,444,764,023	2,606,879,334	603,786,566	14,655,429,923	0.535	14,963,681,767
2009	11,778,146,940	2,560,844,568	794,924,639	15,133,916,147	0.535	15,452,223,129
2010	11,874,836,448	2,547,986,916	590,931,402	15,013,754,766	0.535	15,343,643,092
2011	12,057,640,336	2,454,965,234	610,253,122	15,122,858,692	0.535	15,122,858,692
2012	12,154,011,798	2,754,476,587	606,953,739	15,515,442,124	0.530	N/A
2013	12,240,949,134	3,127,347,289	659,587,935	16,027,884,358	0.530	N/A

Audit, Table 5

CATAWBA COUNTY, NORTH CAROLINA
Schedule of Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

	<i>Fiscal Year</i>									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Catawba County	0.5300	0.5300	0.5350	0.5350	0.5350	0.5350	0.4900	0.4900	0.4800	0.4800
Fire Districts										
Bandys	0.0700	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500	0.0390	0.0390
Catawba	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Claremont	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
Conover Rural	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0350
Cooksville	0.0617	0.0517	0.0517	0.0517	0.0517	0.0517	0.0550	0.0550	0.0550	0.0550
Denver	0.0000	0.0000	0.0000	0.0000	0.0000	0.0389	0.0500	0.0500	0.0450	0.0293
Fairbrook	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0325	0.0325	0.0257	0.0257
Hickory Rural	0.0700	0.0700	0.0700	0.0700	0.0325	0.0325	0.0000	0.0000	0.0000	0.0000
Long View	0.0546	0.0546	0.0546	0.0546	0.0546	0.0546	0.0568	0.0568	0.0568	0.0568
Maiden	0.0600	0.0600	0.0600	0.0500	0.0500	0.0500	0.0500	0.0312	0.0312	0.0312
Mountain View	0.0600	0.0600	0.0600	0.0493	0.0493	0.0493	0.0525	0.0425	0.0425	0.0425
Newton	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0513	0.0513
Oxford	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0600	0.0600	0.0600	0.0600
Propst	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0650	0.0650	0.0650	0.0650
Sherrills Ford	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0500	0.0400	0.0400
St. Stephens	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Viewmont	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0325	0.0325	0.0248	0.0248
Municipalities:										
Town of Brookford	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200	0.5200
Town of Catawba	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800
City of Claremont	0.4600	0.4600	0.4600	0.4600	0.4600	0.4600	0.4500	0.4500	0.4500	0.4500
City of Conover	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3800	0.3800	0.3600
City of Hickory	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Town of Long View	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Town of Maiden	0.3800	0.3900	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3800	0.3800
City of Newton	0.4800	0.4800	0.4800	0.4800	0.4800	0.4600	0.4600	0.4400	0.4400	0.4400
Total Maximum Rate - Fire District	0.6000	0.6000	0.6050	0.6050	0.6050	0.6050	0.5600	0.5600	0.5500	0.5500
Total Maximum Rate - Municipalities	1.0500	1.0550	1.0550	1.0550	1.0550	1.0550	1.0100	1.0100	1.0000	1.0000

Note:

All tax rates are expressed in dollars of tax per \$100 of assessed valuation. For the above years, the tax levies

CATAWBA COUNTY, NORTH CAROLINA
DEBT MANAGEMENT POLICY

INTRODUCTION

Catawba County recognizes that a formal debt policy is essential to effective financial management. Adherence to a debt management policy signals to rating agencies and capital markets that the government is well managed and therefore likely to meet its debt obligations in a timely manner. In addition, it helps to insure that a government maintains a sound financial position and that credit quality is protected. Debt management policies are written guidelines, allowances and restrictions that guide the debt issuance process and it is a recommended practice of the Government Finance Officers Association (GFOA).

Many of the processes for approval, sale and repayment of debt are controlled by North Carolina General Statutes and may not all be repeated within this policy. This debt policy is to be used in conjunction with those laws and regulations along with the operating and capital budgets and other financial policies. Objectives of the debt policy have been established to assist the County in retaining its bond ratings and include:

- Funding a Capital Improvement Plan
- Maintaining an appropriate mix of pay-as-you-go and debt funding
- Maintaining an adequate fund balance, including an appropriate level of unassigned fund balance
- Structuring debt repayment schedules that observers expect of highly rated (AA or AAA) counties

DEBT INSTRUMENTS

The County will use appropriate debt instruments to provide funding for capital assets and improvements at the lowest cost with minimal risk:

General Obligation Bonds:

General Obligation Bonds are bonds secured by a promise to levy taxes in an amount necessary to pay debt service, principal and interest, coming due each fiscal year until repaid. General obligation bonds are backed by the full faith and credit of the County. These bonds are authorized by a referendum or by non-voted (2/3) authorization by the governing body. The non-voted authorization allows governments to issue up to two-thirds of the previous year's net debt reduction without a referendum.

Revenue and Special Obligation Bonds:

Revenue bonds are bonds that pledge revenues generated by the debt-financed asset or by the operating system of which that asset is a part. Special Obligation Bonds are bonds that are payable from the pledge of revenues other than locally levied taxes.

Other Financing Options:

Installment financings are alternative financing methods that do not require a referendum. Certificates

of Participation or Limited Obligation Bonds represent an undivided interest in the payments made by a public agency pursuant to a financing lease or an installment purchase agreement. The security for this financing is represented by a lien on the property acquired or constructed.

An Installment Purchase Contract is an agreement with a financial institution in which the equipment or property is acquired and periodic payments are made to satisfy the debt service. The County will typically use this type of financing to finance a capital asset for ten to fifteen years with the capital asset being used as collateral for the loan. In other cases, this financing will be used for short-term equipment/vehicle purchases of three to five years.

The County will use pay-as-you-go funding for capital improvements or capital assets having a cost of less than \$250,000 or assets having a useful life of less than ten years unless budgetary constraints require the use of financing to acquire the necessary funding for those capital improvements or capital assets.

PURPOSES FOR DEBT ISSUANCE

The County may issue debt for the purpose of acquiring or constructing capital assets including land, buildings, machinery, equipment, fixtures and any other eligible expenses of a project and for making major renovations to existing capital improvements that are for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interest of the County. Long-term debt shall not be used for financing ongoing operational expenses. When applicable, debt issuance will be pooled together to minimize issuance expense.

Before issuing any new debt the County will consider the following factors:

- Global, national and local financial environment and economy
- Current interest rates and expected interest rate changes
- Cash position and current debt position
- Availability of funds to repay the debt
- Urgency of current capital needs and flexibility to meet future needs
- Appropriate debt issuance practices and debt structuring

DEBT STRUCTURE

The debt structure is made up of the type of debt, interest rate and principal maturity schedule. This could include General Obligation Bonds, Revenue or Special Obligation Bonds or other installment financings. The cost of taxable debt is typically higher than the cost of tax-exempt debt; however, the issuance of taxable debt is mandated in some circumstances and may allow flexibility in subsequent contracts with users or managers of the improvements constructed with bond proceeds. The County will usually issue obligations on a tax-exempt basis, but may occasionally issue taxable obligations when there is an expected benefit from doing so. The County shall establish an affordable debt level to preserve credit quality and insure sufficient revenue is available to pay annual debt service obligations.

General Obligation Bonds will generally be competitively bid with no more than a 20-year life unless there are compelling factors which make it necessary to extend beyond and applicable law allows a longer term. In a competitive sale, the County may sell its debt obligations by allowing an interested

underwriter or syndicate to submit a proposal to purchase and issue bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice to sale.

Negotiated sales or private placements may be used where allowed when complex financing or sales structure is a concern with regard to marketability. In a negotiated sale, the bonds may be sold through an exclusive arrangement between the County and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriter. This method offers the most flexibility to the County. The criteria used to select an underwriter or syndicate in negotiated sales should include, but not be limited to the following: overall experience, marketing philosophy, capability, recent experience, underwriter's discount and overall expenses.

The County may elect to sell its debt obligations through a private placement with a financial institution when appropriate. Selection through private placement shall be determined through a Request for Proposal (RFP) process.

Debt service for each issue will be structured in an attempt to minimize the County's interest payments over the life of the issue while taking into account the existing debt obligations of the County. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.

The County may also consider various financing methods including fixed or variable interest rate debt in order to minimize the interest costs over the life of the issue. The use of these methods will be evaluated based on market conditions and the maximum benefit to the County while minimizing the County's risk. When appropriate, the County may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities or reset date determined by the bondholder. The County will limit the issuance of variable rate debt to help maintain the County's credit rating. The County's long term variable rate debt will not exceed 10% of the total outstanding general debt.

Investment of bond proceeds will be consistent with those authorized by existing state law, the County's investment policy and applicable bond covenants. Bond proceeds shall be invested and tracked separately from other investments.

DEBT RATIOS

The County will use an objective, analytical approach to determine the amount of debt to be considered for authorization and issuance. This process involves the comparison of generally accepted debt ratios from similar counties to the current County ratios. These ratios will be re-evaluated every five (5) years or sooner as market conditions dictate. The County shall adhere to the following ratios:

Net Direct Debt Per Capita

This ratio measures the burden of direct debt placed on the population supporting the debt. This is widely used by rating agencies as a measure of an issuer's ability to repay the debt. The County's General Obligation debt per capita will be in line with other North Carolina counties that maintain the same credit rating. The County will maintain per capita debt that does not exceed \$2,000.

Net Direct Debt as a Percentage of Assessed Valuation

This ratio measures debt levels against the property tax base that generates the tax revenues used as the main source of debt repayment. The County will maintain its debt at no more than 1.50% of the countywide assessed value.

Net Direct Debt Service as a Percentage of Operational Budget

This ratio reflects the County's budgetary flexibility to adjust spending levels as economic conditions change. The County will maintain its net debt service at no more than 20% of the operational budget.

Ten-Year Payout Ratio

This ratio measures how quickly the County retires its outstanding indebtedness. A higher payout ratio preserves the County's capacity to borrow for future capital needs. The County will maintain its ten-year payout at a 65% level or higher.

REFINANCING OF OUTSTANDING DEBT

The County will continually review its outstanding debt and recommend issue for refunding as market opportunities arise. Debt shall only be refinanced for the purpose of achieving debt service savings, unless required to achieve specific debt management goals of the County. The estimation of net present value savings should be, at a minimum, in the range of 3% of the refunded maturities before a refunding process would be considered unless the County otherwise determines the annual savings warrant the refunding. The County will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. The County is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

The County may issue advance refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Advance refunding transactions are those undertaken in advance of the first date the refunded debt can be called for optional redemption and will require an establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

The County may issue current refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Current refunding transactions shall be considered whenever possible. These transactions are undertaken at or after the call date on outstanding debt and provide for redemption and replacement of refunded debt within ninety days of issuance of the refunding debt.

PAY-AS-YOU-GO FUNDING

The County shall use pay-as-you-go and other alternative sources of funding for capital projects to minimize debt levels. To have an effective pay-as-you-go program, at least one funding source must be identified that is consistent, reliable and large enough to provide for capital needs in an amount that reduces dependency on debt. In order to reduce the impact of capital programs on future years, the County will annually appropriate funds for its capital improvement plan. The County will also appropriate proceeds from the sale of capital assets and land, as deemed appropriate, for capital projects. This practice will allow additional funding of capital improvement projects and reduce the

County's dependence on borrowing. Pay-as-you-go funding will save money by eliminating interest expense on funded projects and will improve financial flexibility in the event of sudden revenue shortfalls or emergency spending.

ISSUANCE OF DEBT

The scheduling and amount of bond sales and installment purchase transactions will be recommended by the Finance Director and County Manager. The Board of County Commissioners must approve the sale. These decisions will be based upon the identified cash flow requirements for each project to be financed as well as market conditions and other relevant factors including debt ratios. If the cash requirements for capital projects are minimal in any given year, the County may choose not to issue the debt and fund the project costs and reimburse these costs when financing is arranged. In these situations the County will adopt a reimbursement resolution prior to the expenditure of project funds.

Fixed rate General Obligation Bond sales are conducted on a competitive basis by the Local Government Commission (LGC), a division of the Office of State Treasurer. Variable rate bonds, revenue and special obligation bonds will be sold on a negotiated basis with a selected underwriter.

The County must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable laws and all agreements in connection with any financing are legal, valid and binding obligations of the County.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission (SEC), Rule 15c-2-12, the County will provide financial and operating information to the repository or repositories designated by the SEC. Where applicable, the county will also provide its Comprehensive Annual Financial Report (CAFR) and other relevant information to rating agencies, corporate trustees and financial institutions as required by continuing disclosure requirements within all debt financing documents.

ARBITRAGE LIABILITY MANAGEMENT

The County will maintain a system of record keeping and reporting to meet the arbitrage and rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law and remitting applicable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding debt issues.

It is the County's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculation will be performed by qualified arbitrage professionals in strict adherence to applicable laws and regulations. These calculations will be done in accordance with required Internal Revenue Service reporting dates.

FINANCING TEAM

The County will provide for a solicitation and selection process for securing all professional services required in connection with any debt issues. The service professionals selected will be required to

follow the County's debt management policy with the goal of continuity, quality service and competitive prices.

ADMINISTRATION AND IMPLEMENTATION

The County Manager and Finance Director are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy.

CATAWBA COUNTY, NORTH CAROLINA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Year

Fiscal Year Ended June 30	General Obligation Bonds	Total Taxable Assessed Value	Percentage of Actual Taxable Value of Property	Per Capita
2004	55,880,000	12,671,384,340	0.44	380
2005	49,340,000	12,942,756,938	0.38	332
2006	42,815,000	13,023,274,801	0.33	287
2007	36,540,000	13,359,326,399	0.27	238
2008	30,160,000	14,655,429,923	0.21	194
2009	23,765,000	15,068,712,596	0.16	151
2010	17,310,000	15,013,754,766	0.12	109
2011	12,110,000	15,122,858,692	0.08	76
2012	7,715,000	15,515,442,124	0.05	50
2013	3,325,000	16,027,884,358	0.02	21

Audit, Table 10

CATAWBA COUNTY, NORTH CAROLINA
Legal Debt Margin Information
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assessed Value (after exemptions)	16,027,884,358	\$15,515,442,124	\$15,122,858,692	\$15,013,754,766	\$15,068,712,596	\$14,655,429,923	\$13,359,326,399	\$13,023,274,801	\$12,942,756,938	\$12,671,384,340
Debt Limit Rate	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Debt Limit	1,282,230,749	1,241,235,370	1,209,828,695	1,201,100,381	1,205,497,008	1,172,434,391	1,068,746,112	1,041,861,984	1,035,420,555	1,013,710,747
Less total net debt applicable to limit	-	125,775,150	142,142,197	117,002,355	130,663,312	121,303,793	102,721,667	111,610,000	112,385,000	69,575,814
Legal Debt Margin	1,282,230,749	1,115,460,220	1,067,686,498	1,084,098,026	1,074,833,696	1,051,130,598	966,024,445	930,251,984	923,035,555	944,134,933

Total net debt applicable to the limit as a percentage of legal debt limit	0%	10%	12%	10%	11%	10%	10%	11%	11%	7%
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Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value (after exemptions)	\$15,515,442,124
Debt limit (8% of assessed value)	1,241,235,370
Debt applicable to limit	
Outstanding general obligation debt	7,715,000
Authorized and unissued general obligation debt	
Certificates of participation	18,090,000
Installment purchase	65,060,148
Qualified Zone Academy Bonds	500,000
Qualified School Construction Bonds	25,237,700
Build America Bonds	7,822,302
Federal Revolving Loan	1,350,000
Less Statutory deductions	
Unissued refunding bonds	
Total net debt applicable to limit	125,775,150
Legal debt margin	1,115,460,220

CATAWBA COUNTY, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities										Business Type			Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Capitalized Leases	Certificates of Participation	Installment Purchases	Qualified Zone Academy Bonds	Qualified School Construction Bonds	Build America Bonds	Limited Obligation Bonds	North Carolina Department of Commerce	Installment Purchases	Limited Obligation Bonds	Federal Revolving Loan				
2004	55,880,000	69,778	-	9,900,000	-	-	-	-	-	-	-	-	65,849,778	1.69	448	
2005	49,340,000	-	53,805,000	9,240,000	-	-	-	-	-	-	-	-	112,385,000	2.71	755	
2006	42,815,000	-	51,015,000	17,780,000	-	-	-	-	-	-	-	-	111,610,000	2.61	747	
2007	36,540,000	-	48,225,000	17,956,667	-	-	-	-	-	-	-	-	102,721,667	2.22	668	
2008	30,160,000	-	45,435,000	45,008,793	700,000	-	-	-	-	-	-	-	121,303,793	2.51	780	
2009	23,765,000	-	42,645,000	56,831,959	650,000	-	-	-	-	6,771,353	-	-	130,663,312	2.61	832	
2010	17,310,000	-	39,855,000	52,705,167	600,000	-	-	-	-	6,532,188	-	-	117,002,355	2.37	736	
2011	12,110,000	-	37,075,000	48,564,013	550,000	27,091,602	8,401,732	-	-	6,282,897	-	1,350,000	141,425,244	2.73	889	
2012	7,715,000	-	18,090,000	19,475,148	500,000	25,237,700	7,822,302	39,787,135	-	-	5,797,865	1,350,000	125,775,150	2.44	811	
2013	3,325,000	-	16,465,000	48,618,040	450,000	23,383,798	7,242,872	37,770,939	2,600,000	8,000,000	5,504,061	1,275,000	154,634,710	N/A	994	

N/A = Not available

Sources:

¹ U.S. Department of Commerce Bureau of Economic Analysis

² Population based on estimates issued by the Bureau of the Census

CATAWBA COUNTY, NORTH CAROLINA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population Estimate	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2004	146,971	3,892,232,993	26,483	36.4	23,942	7.2%
2005	148,797	4,140,871,713	27,829	36.6	24,243	6.6%
2006	149,416	4,272,998,768	28,598	36.7	24,455	5.4%
2007	153,784	4,624,900,016	30,074	37.0	24,766	5.9%
2008	155,452	4,826,940,052	31,051	36.9	25,305	7.2%
2009	157,073	4,998,534,079	31,823	38.1	24,688	15.5%
2010	159,013	4,941,148,000	31,052	38.2	24,338	12.9%
2011	159,125	5,016,806,000	32,504	38.4	24,245	12.0%
2012	154,992	N/A	N/A	39.9	24,250	11.3%
2013	155,494	N/A	N/A	40.3	24,241	10.8%

N/A = Not Available

Sources:

Bureau of the Census, Department of Commerce - Employment Security Commission, Office of State Planning, Bureau of Economic Analysis

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CATAWBA COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2012 and December 31, 2003

Taxpayer	Type of Business	December 31, 2012			December 31, 2003		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Apple, Inc.	Computer Server	\$ 627,330,611	1	3.91	\$ -	-	-
Duke Energy Corporation	Electric utility	506,438,391	2	3.16	351,926,672	1	2.78
Target Corporation	Warehouse/Retail	111,232,424	3	0.69	-	-	-
GKN Driveline Newton, LLC	Gears	108,991,404	4	0.68	58,217,630	5	0.46
CommScope, Inc.	Cable mfg.	106,209,879	5	0.66	149,736,462	3	1.18
Draka Comteq Americas, Inc.	Cable mfg.	75,099,121	6	0.47	-	-	-
Amireit (Frye) Inc/American Medical	Medical care	74,213,592	7	0.46	56,146,587	7	0.44
Corning Cable Systems	Cable mfg.	68,286,524	8	0.43	169,437,499	2	1.34
Hickory Springs Mfg. Co.	Furniture supplies	55,172,963	9	0.34	55,345,585	8	0.44
Valley Hills Mall, LLC	Retail	45,891,969	10	0.29	48,239,860	10	0.38
Alcatel N. A., Inc.	Cable mfg.	-	-	-	115,250,655	4	0.91
Shuford Mills/Shurtape Technologies	Textiles & Tape	-	-	-	53,329,984	9	0.42
Central Telephone Company	Telephone	-	-	-	56,223,806	6	0.49
		<u>\$ 1,778,866,878</u>		<u>11.09</u>	<u>\$ 1,113,854,740</u>		<u>8.84</u>
Total Assessed Valuation		<u>\$ 16,027,884,358</u>			<u>\$ 12,671,384,340</u>		

Source: Catawba County Tax Collector

CATAWBA COUNTY, NORTH CAROLINA
Schedule of Principal Employers
Current and Nine Years Ago

Employer	2013			2004		
	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽²⁾	Employees ⁽¹⁾	Rank	Percentage of Total County Employment ⁽²⁾
Catawba County School Systems	1,990	1	3.06%	2,045	1	2.82%
Catawba Valley Medical Center	1,698	2	2.61%	1,392	5	1.92%
Frye Regional Medical Center	1,400	3	2.15%	1,950	2	2.69%
CommScope, Inc.	1,330	4	2.04%	1,900	3	2.62%
Catawba County Government	1,141	5	1.75%	1,250	7	1.72%
HSM Solutions (Hickory Springs)	1,069	6	1.64%	1,500	4	2.07%
Corning Cable Systems ⁽³⁾	1,000	7	1.54%	-	-	-
Ethan Allen, Inc.	751	8	1.15%	-	-	-
G&A Outsourcing (Convergys)	750	9	1.15%	-	-	-
Pierre Foods	721	10	1.11%	-	-	-
CV Industries, Inc.	-	-	-	1,300	6	1.79%
Sherrill Furniture Company	-	-	-	1,080	8	1.49%
Shurtape Technologies, Inc.	-	-	-	857	9	1.18%
Thomasville Furniture Industries	-	-	-	749	10	1.03%
	<u>11,850</u>		<u>18.20%</u>	<u>14,023</u>		<u>19.33%</u>