

is reported in the County's governmental funds. The County's liability for accumulated earned vacation and the salary related payments as of the end of the year is recorded in the government-wide financial statements. For the County's proprietary fund, an expense and a liability for compensated absences and the salary related payments are recorded within those funds as the leave is earned, if the amount is considered to be material. The sick leave policy of the County provides for an unlimited accumulated of earned but unused sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither entity has any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave is made by the County.

ENCUMBRANCES

Encumbrances are financial commitments for services, contracts, or goods that have not as yet been delivered or performed. Purchase orders that remain unperformed at year-end are carried forward to the new fiscal year. A portion of fund balance is reserved to pay for any commitments related to purchase order and contracts that are unperformed at year-end.

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 July 1, 2014, \$120 million in capital needs are forecasted over the next eight years, which includes approximately \$40 million in school and community college construction needs.

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 county adopted a new $\frac{1}{4}$ cent sales tax, approved overwhelmingly by local referendum, which is currently providing approximately \$4.2 million a year in revenues to keep up with growth in the County without relying solely on the property tax. Some of the additional funds are being used to expand the County's Justice Center to include the addition of new courtrooms (a county responsibility) and a new 911 Communication Center and Emergency Operations Center (EOC). The County accepted construction bids on the project in October 2013 with a base bid of \$23 million with construction expected to take approximately two years.

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 also continued a policy of setting aside funds, one half cent on the property tax rate or \$800,000 in fiscal year 2014/15, to be used for strategic water and sewer projects throughout the county. Those funds, along with an additional \$1.36 million in sales tax revenues will help fund approximately \$38 million in water and sewer needs identified over the next eight years.

Catawba County is committed to education and recognizes the linkage between this and a well trained workforce. To pay for the school and community college projects, the Catawba County Board of Commissioners continued their practice for a four-year funding cycle in fiscal year 2011-12 by dedicating one cent of the property tax rate, equal to approximately \$1.6 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 completes the final year of the funding plan in the 2014/15 fiscal year by using those funds for campus improvements at the community college. Fiscal Year 2015/16 will begin a new funding cycle with capacity to finance up to \$40 million in projects within existing dedicated funds.



Another long-term initiative by the County is to improve the educational attainment of the region, which is directly linked to workforce development efforts. Catawba County continues to commit almost 48 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.

These efforts seem to be paying off as evidenced by the latest year-end results for the school systems. Catawba County Schools ended the 2012/13 school year with a 91.3 percent graduation rate for students who graduated in four years. Hickory Public Schools posted an 82.8 percent rate, its highest in the history of the school system and Newton-Conover Schools achieved an 87.4 percent rate, all three districts ending the year above the State of North Carolina average of 82.5 percent.

Finally, the County continues to support higher education initiatives in the region. The Hickory Metro Higher Education Center was created 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 of Engineering Technologies (NCCET) in Catawba County, the ASU Center at Burke and the ASU Center at Caldwell.

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 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 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 to remain competitive.