

**FINANCIAL STATISTICS, STATEMENTS, AND  
POLICIES FOR FISCAL YEAR ENDING JUNE 30, 201**

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 Function**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	General Government	Public Safety	Environmental Protection	Economic and Physical			Culture and Recreation	Education	Interest on Long-Term Debt	Total
				Development	Human Services					
2005	\$ 8,383,352	19,900,883	447,428	9,567,712	66,858,370		2,543,170	57,377,775	4,223,199	<b>169,301,889</b>
2006	\$ 9,593,037	20,926,787	481,844	9,383,320	67,310,514		2,687,546	65,203,410	4,956,696	<b>180,543,154</b>
2007	\$ 9,001,933	22,897,052	504,416	12,054,976	66,083,707		2,771,008	52,216,062	4,909,742	<b>170,438,896</b>
2008	\$11,203,800	26,316,167	546,680	10,827,271	74,150,353		2,760,614	50,388,730	4,584,583	<b>180,778,198</b>
2009	\$10,172,611	28,263,640	539,138	10,743,831	56,066,282		2,830,192	78,130,574	5,163,100	<b>191,909,368</b>
2010	\$10,533,518	29,076,572	495,248	10,627,991	51,688,459		2,830,504	53,825,312	5,411,021	<b>164,488,625</b>
2011	\$ 9,795,648	30,599,650	508,248	9,713,902	51,350,294		2,733,249	65,072,007	4,998,419	<b>174,771,417</b>
2012	\$ 9,737,258	31,399,814	459,609	11,657,411	50,113,468		2,724,942	57,134,411	4,487,690	<b>167,714,603</b>
2013	\$ 9,760,225	31,236,944	508,073	12,780,487	48,863,130		2,776,547	57,519,210	3,602,099	<b>167,046,715</b>
2014	\$10,807,772	32,732,323	492,269	13,538,407	47,935,422		2,847,558	61,843,087	3,774,279	<b>173,971,117</b>

Accrual Basis of Accounting

Audit, Table 2

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

<b>Fiscal Year Ended June 30</b>	<b>Property taxes</b>	<b>Local option sales taxes</b>	<b>Other taxes</b>	<b>Investment earnings, unrestricted</b>	<b>Gain (loss) on sales of capital assets</b>	<b>Transfers</b>	<b>Total</b>
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
2014	93,649,723	28,027,368	1,494,645	1,155,474	-	(1,601,565)	122,725,645

*Accrual Basis of Accounting*

Audit, Table 2

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Utility Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate <sup>(1)</sup></b>	<b>Estimated Real Market Value</b>
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	0.490	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 <sup>(2)</sup>	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	15,452,232,129
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 <sup>(2)</sup>	12,154,011,798	2,754,476,587	606,953,739	15,515,442,124	0.530	15,436,714,878
2013	12,240,949,134	3,127,347,289	659,587,935	16,027,884,358	0.530	15,946,556,918
2014	12,224,185,313	3,790,836,072	685,580,853	16,700,602,238	0.530	N/A

Tax rate expressed in dollars of tax per \$100 of assessed valuation.  
Increase as a result of the County 4-year real property revaluation cycle.

Source: Catawba County Property Appraiser

**CATAWBA COUNTY, NORTH CAROLINA**  
**Property Tax Rates - Direct and Overlapping Governments <sup>(1)</sup>**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Catawba County</b>										
Property Tax	0.5300	0.5300	0.5300	0.5350	0.5350	0.5350	0.5350	0.4900	0.4900	0.4800
<b>Fire Districts:</b>										
Bandys	0.0700	0.0700	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0500	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	0.0700	0.0500	0.0500
Cooksville	0.0617	0.0617	0.0517	0.0517	0.0517	0.0517	0.0517	0.0550	0.0550	0.0550
Denver	-	-	-	-	-	-	0.0389	0.0500	0.0500	0.0450
Fairbrook	-	-	-	-	-	-	-	0.0325	0.0325	0.0257
Hickory Rural	0.0700	0.0700	0.0700	0.0700	0.0700	0.0325	0.0325	-	-	-
Long View	0.0546	0.0546	0.0546	0.0546	0.0546	0.0546	0.0546	0.0568	0.0568	0.0568
Maiden	0.0600	0.0600	0.0600	0.0600	0.0500	0.0500	0.0500	0.0500	0.0312	0.0312
Mountain View	0.0600	0.0600	0.0600	0.0600	0.0493	0.0493	0.0493	0.0525	0.0425	0.0425
Newton	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0513
Oxford	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0558	0.0600	0.0600	0.0600
Propst	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0615	0.0650	0.0650	0.0650
Sherrills Ford	0.0700	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0400
St. Stephens	0.0700	0.0700	0.0700	0.0700	0.0700	0.0500	0.0500	0.0500	0.0500	0.0500
Viewmont	-	-	-	-	-	-	-	0.0325	0.0325	0.0248
<b>Municipalities:</b>										
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	0.4600	0.4600	0.4500	0.4500
City of Conover	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3800	0.3800
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	0.4200	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000
Town of Maiden	0.3800	0.3800	0.3900	0.4000	0.4000	0.4000	0.4000	0.4000	0.4000	0.3800
City of Newton	0.4800	0.4800	0.4800	0.4800	0.4800	0.4800	0.4600	0.4600	0.4400	0.4400
Total Maximum Rate - Fire District	0.6000	0.6000	0.6000	0.6050	0.6050	0.6050	0.6050	0.5600	0.5600	0.5500
Total Maximum Rate - Municipalities	1.0500	1.0500	1.0500	1.0550	1.0550	1.0550	1.0550	1.0100	1.0100	1.0000

Audit, Table 6

Source: Catawba County Tax Collector

Note:

All tax rates are expressed in dollars of tax per \$100 of assessed valuation. For the above years, the tax levies were assessed at one hundred percent (100%) of the actual valuation

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 Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Total Taxable Assessed Value</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita <sup>(1)</sup></b>
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	15,133,916,147	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
2014	760,000	16,700,602,238	0.00	5

Audit, Table 10

Sources:

<sup>(1)</sup> Population based on estimates issued by the Bureau of the Census

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assessed value (after exemption)	16,700,602,238	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
Debt limit rate	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Debt limit	1,336,048,179	1,282,230,749	1,241,235,370	1,209,828,695	1,201,100,381	1,205,497,008	1,172,434,394	1,068,746,112	1,041,861,984	1,035,420,555
Less: Total net debt applicable to limit	158,887,591	154,634,710	125,775,150	142,142,197	117,002,355	130,663,312	121,303,793	102,721,667	111,610,000	112,385,000
Legal debt margin	<u>1,177,160,588</u>	<u>1,127,596,039</u>	<u>1,115,460,220</u>	<u>1,067,686,498</u>	<u>1,084,098,026</u>	<u>1,074,833,696</u>	<u>1,051,130,601</u>	<u>966,024,445</u>	<u>930,251,984</u>	<u>923,035,555</u>
Total net debt applicable to the limit as a percentage of debt limit	12%	12%	10%	12%	10%	11%	10%	10%	11%	11%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value (after exemptions)	\$ 16,700,602,238
Debt limit (8% of assessed value)	1,336,048,179
Debt applicable to limit:	
Outstanding general obligation debt	760,000
Authorized and unissued debt	-
Certificates of participation	10,730,000
Installment purchase	52,089,252
Qualified Zone Academy Bonds	400,000
Qualified School Construction Bonds	21,529,896
Build America Bonds	6,663,443
Limited Obligation Bonds	62,915,000
North Carolina Department of Commerce	2,600,000
Federal Revolving Loan	1,200,000
Less: Statutory deductions	
Unissued debt	-
Total net debt applicable to limit	<u>158,887,591</u>
Legal debt margin	<u>\$ 1,177,160,588</u>

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

Fiscal Year	Governmental Activities								Business Type				Percentage of Personal Income <sup>(1)</sup>	Per Capita <sup>(2)</sup>
	General Obligation Bonds	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	Total Primary Government		
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	2.86	994
2014	799,341	12,208,902	47,940,429	400,000	21,529,896	6,663,443	59,871,434	2,600,000	7,397,122	5,401,752	1,200,000	166,012,319	N/A	1,068

N/A = Not available

Sources:

<sup>1</sup> U.S. Department of Commerce Bureau of Economic Analysis

<sup>2</sup> Population based on estimates issued by the Bureau of the Census

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

<b>Fiscal Year</b>	<b>Population Estimate <sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Income <sup>(2)</sup></b>	<b>Median Age <sup>(3)</sup></b>	<b>School Enrollment <sup>(4)</sup></b>	<b>Unemployment Rate <sup>(5)</sup></b>
2005	148,797	4,140,871,713	27,829	36.6	24,243	6.60
2006	149,416	4,272,998,768	28,598	36.7	24,455	5.40
2007	153,784	4,624,900,016	30,074	37.0	24,766	5.90
2008	155,452	4,826,940,052	31,051	36.9	25,305	7.20
2009	157,073	4,998,534,079	31,823	38.1	24,688	15.50
2010	159,013	4,941,148,000	31,052	38.2	24,338	12.90
2011	159,125	5,016,806,000	32,504	38.4	24,245	12.00
2012	154,992	5,137,333,000	33,320	39.9	24,250	11.30
2013	155,494	5,357,979,000	34,716	40.3	24,241	10.80
2014	155,411	N/A	N/A	40.5	24,204	7.10

N/A = Not available

Sources:

Bureau of the Census, Department of Commerce - Employment Security Commission, Office of State Planning, Bureau of Economic Analysis Audit, Table 12

**CATAWBA COUNTY, NORTH CAROLINA**  
**Principal Property Taxpayers**  
**December 31, 2013 and December 31, 2004**

Taxpayer	Type of Business	December 31, 2013			December 31, 2004		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Apple, Inc.	Computer Server	\$ 916,657,031	1	5.49	\$ -	-	-
Duke Energy Corporation	Electric utility	543,682,658	2	3.26	356,728,514	1	2.76
GKN Driveline Newton, LLC	Gears	110,760,920	3	0.66	77,537,250	5	0.60
Target Corporation	Warehouse/Retail	106,285,005	4	0.64	-	-	-
CommScope, Inc.	Cable mfg.	105,740,567	5	0.63	151,697,472	2	1.17
Draka Comteq Americas, Inc.	Cable mfg.	75,211,095	6	0.45	-	-	-
Amireit (Frye) Inc/American Medical	Medical care	72,845,890	7	0.44	64,164,211	6	0.50
Corning Cable Systems	Cable mfg.	67,781,685	8	0.41	106,234,298	3	0.82
HSM Solutions - (formerly Hickory Springs Mfg. Co.)	Furniture supplies	53,958,836	9	0.32	59,311,485	7	0.46
Valley Hills Mall, LLC	Retail	45,873,677	10	0.27	48,198,940	10	0.37
Alcatel N. A., Inc.	Cable mfg.	-	-	-	97,661,411	4	0.75
Shuford Mills/Shurtape Technologies	Textiles & Tape	-	-	-	49,967,394	9	0.39
Central Telephone Company	Telephone	-	-	-	54,549,996	8	0.42
		<u>\$ 2,098,797,364</u>		<u>12.57</u>	<u>\$ 1,066,050,971</u>		<u>8.24</u>
Total Assessed Valuation		<u>\$ 16,700,602,238</u>			<u>\$ 12,942,756,938</u>		

Audit, Table 7

Source: Catawba County Tax Collector

**CATAWBA COUNTY, NORTH CAROLINA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2014			2005		
	Employees <sup>(1)</sup>	Rank	Percentage of Total County Employment <sup>(2)</sup>	Employees <sup>(1)</sup>	Rank	Percentage of Total County Employment <sup>(2)</sup>
Catawba County School Systems	1,990	1	2.79%	2,000	2	2.57%
Catawba Valley Medical Center	1,674	2	2.34%	1,426	4	1.83%
CommScope, Inc.	1,429	3	2.00%	2,100	1	2.70%
Frye Regional Medical Center	1,300	4	1.82%	1,900	3	2.44%
HSM Solutions (Hickory Springs)	1,165	5	1.63%	1,372	5	1.76%
Catawba County Government	1,124	6	1.57%	1,016	8	1.31%
Corning Cable Systems <sup>(3)</sup>	1,000	7	1.21%	-	-	-
Heritage Home Group LLC	861	8	1.40%	-	-	-
Sherrill Furniture Company	775	9	1.08%	1,125	7	1.45%
Ethan Allen, Inc.	758	10	1.06%	-	-	-
Pierre Foods	-	-	-	759	10	-
CV Industries, Inc.	-	-	-	1,201	6	1.54%
Thomasville Furniture Industries	-	-	-	836	9	1.07%
	<u>12,076</u>		<u>17.09%</u>	<u>13,735</u>		<u>16.67%</u>

Audit, Table 13

Sources:

Survey of Employers, Labor estimates provided by the Employment Security Commission of North Carolina, Catawba County Chamber of Commerce

**CATAWBA COUNTY, NORTH CAROLINA**  
**General Long-Term Debt Requirements and Maturity Schedule**  
**For the Fiscal Year Ended June 30, 2014**

Fiscal Year Ended June 30	Governmental Activities			Business Type Activities		
	Debt Principal	Interest	Total	Debt Principal	Interest	Total
2015	12,331,425	5,466,418	17,797,843	978,778	348,270	1,327,048
2016	12,332,152	5,156,471	17,488,623	1,221,370	323,958	1,545,328
2017	12,691,346	4,850,118	17,541,464	1,228,229	293,455	1,521,684
2018	12,643,855	4,513,776	17,157,631	1,238,472	261,284	1,499,756
2019	12,615,319	4,172,037	16,787,356	1,248,924	228,956	1,477,880
2020-2024	56,134,400	15,887,054	72,021,454	5,982,249	676,568	6,658,817
2025-2029	23,969,808	4,636,452	28,606,260	1,836,264	77,382	1,913,646
2030-2031	2,360,000	177,000	2,537,000	75,000	-	75,000
	<u>\$ 145,078,305</u>	<u>\$ 44,859,326</u>	<u>\$ 189,937,631</u>	<u>\$ 13,809,286</u>	<u>\$ 2,209,873</u>	<u>\$ 16,019,159</u>

(1) 12 % of Legal Debt Limit