

COMPENSATED ABSENCES

It is the policy of the County to permit employees to accumulate up to 30 days earned but unused vacation leave, with such leave being fully vested when earned. For the County, the current portion of the accumulated vacation pay and salary-related payments is not considered to be material; therefore, no expenditure or liability 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

The budget establishes a property tax rate of \$0.575 for every \$100 of valuation that it plans to hold constant for four years--until the next revaluation cycle in 2019. The County began preparing an eight-year Service and Capital Improvement Plan (CIP) in 2007 to anticipate and plan for future capital expenditures, which is updated on an annual basis. This rate will enable the County to address significant service expansion and capital pressures, important to maintaining the quality of life the community has grown accustomed to and ensure the County does not fall behind in providing basic services including maintaining an 8-minute average EMS response time, improving case management and clearance rates of criminal cases, reinstating a 6-day per week operating schedule for all County Parks, and increasing investment in education. As of July 1, 2015, \$108.78 million in capital needs are forecasted over the next eight years, which includes approximately \$55.99 million in school and community college construction needs and a \$17 million jail expansion. Additionally the County has planned for operating costs for the new Justice Public Safety Center and debt/operating costs for the jail expansion. All of these pressures are discussed in detail in the budget message.

It is the County's responsibility to house all inmates as required by state law and the justice system. The County experienced a surge in inmate population beginning in mid-2012 (an 18.4 percent increase in Fiscal Year 2012/13, with an additional 7.3 percent in Fiscal Year 2013/14 for Catawba). The Catawba County Detention Center was designed with this in mind, with the capacity to readily expand the existing design by 256 beds in anticipation of future expansion needs. Since the last jail expansion, Catawba County has been renting a limited number of beds to the federal government at the Newton jail and banking the proceeds to help fund the expansion and reduce total costs to taxpayers. To date, \$2.38 million has been set aside, with an additional \$650,000 planned in Fiscal Year 2015/16. The County's foresight in setting these funds aside will result in \$1.23 million in savings to citizens through interest cost avoidance, based upon the fact that the County will have to borrow almost \$3 million less. The budget also includes dedication of 1.5 cents on the tax rate toward the jail expansion, planned in Fiscal Year 2017/18.

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 ¼ cent sales tax, approved overwhelmingly by local referendum, which is currently providing approximately \$4.5 million a year in revenue to keep up with growth in the County without relying solely on the property tax. Most of these funds are being used to expand the County's Justice Center, a \$42 million construction project currently underway. The new center will house new courtrooms (a county

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responsibility), the Emergency Services department, a new 911 Communication Center, and the Emergency Operations Center (EOC). Construction is scheduled to be complete at the end of calendar year 2016.

The remaining sales tax revenues are being used primarily 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 cent on the property tax rate or \$1.575 million and \$700,354 in sales tax revenues in Fiscal Year 2015/16, to be used for strategic water and sewer projects throughout the county. These funds will 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 continues their practice for a four-year funding cycle in Fiscal Year 2015/16 by dedicating three cents of the property tax rate, equal to approximately \$4.725 million, in addition to pledging the amount of school/community college debt retired each year towards new construction. This provides funding for \$55.99 million in new construction needs over the next four years for all three school systems and CVCC.

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 46 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 2013/14 school year with a 90.8 percent graduation rate for students who graduated in four years. Hickory Public Schools posted an 83.9 percent rate, it's highest in the history of the school system and Newton-Conover Schools achieved a 92.5 percent rate, all three districts ended the year higher or equal to the State of North Carolina average of 83.9 percent.

Finally, the County continues to support higher education initiatives in the region. The Hickory Metro Higher Education Center (HMHEC) 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.

Revenue and expenditure summaries for the last audited fiscal year as well as the current, requested, and recommended budgets are included. Following the summaries are 4-year revenue and expense projections.

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