

**ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2007-2008 SHOWS
COUNTY REMAINED IN SOUND FINANCIAL POSITION
December 16, 2008**

Catawba County's Comprehensive Annual Financial Report for the fiscal year that ended on June 30, 2008 shows the County continued to deliver services in a sound fiscal manner. Paula Hodges, audit manager for Martin Starnes & Associates, CPAs, P.A., told the Catawba County Board of Commissioners at its December 15 meeting that the County is in "sound financial condition" as a result of its conservative approach to budgeting and spending.

Hodges told the Board that the County received a "clean" audit opinion for this fiscal year and that their audit firm was pleased with the County's internal control structure and financial accountability.

Catawba County's Finance Director Rodney Miller discussed several aspects of the County's financial report. Property tax revenues increased as the County tax rate changed on July 1, 2007 to provide funds to operate the new jail and pay for related debt service, to initiate a new four-year construction schedule for the three school systems and community college, provide additional funding for some much needed technology in the three school systems and set aside dollars for future water and sewer needs in the County as a result of population growth.

Property tax collection rates remained high at 97% and the County's tax rate of 53.5 cents per \$100 valuation for the 2007-2008 fiscal year was the sixth lowest among North Carolina counties with a population of 100,000 or more. The County continues to benefit from being a retail magnet for the region as sales tax revenues increased by 4.6%.

An additional ¼ cent was added to the sales tax rate on April 1, 2008 following a vote by Catawba County voters, which generated approximately \$1.1 million in new revenue, and which has been committed for a number of purposes:

- to attract new jobs to the county, through a multijurisdictional business park for economic development that has been discussed among County, municipal and Economic Development Corporation officials;
- to help address water and sewer needs as the County continues to face continuing septic tank failures and pressures created by increased population growth;
- for additional school funding for more teachers, leading to a better trained workforce and new job opportunities;
- for additional courtroom space at the Catawba County Justice Center, which is almost 30 years old and which has courtrooms that are no longer adequate to accommodate the growing case loads currently in our court system, and to begin funding a vitally needed new 911 Center, Emergency Operations Center, Newton-Conover Rescue Squad base and Newton EMS Base, all of which are currently operating in aging buildings with inadequate space.

On the expenditure side, when purely local funding is considered, funding for the three public school systems in Catawba County and Catawba Valley Community College received the highest percentage of County funding, at 49%. Catawba County appropriated \$38,014,454 for operating expenditures for the three school systems and CVCC, or 22% of the General Fund budget.

Human service expenditures represented the largest total operating cost of County government, 43% of total expenditures, because State and Federal funds appropriated for the County's three human service agencies are audited and reflected in the report. Human service

expenditures (for Mental Health Services, Public Health and Social Services) increased by 12.9% from fiscal year 2006-2007.

County departments also used funds efficiently, as reflected by the fact that the departments collectively spent less than budgeted for fiscal year 2007-2008 due to tight internal controls and conservative spending.

Catawba County has traditionally had a goal to keep two months' worth of operating expenses in its fund balance, in part because of cash flow issues, since property tax bills are sent to taxpayers in July but revenues are very slow to come in because most taxpayers wait until near the January deadline to make payments. The reserve is also kept in case of emergency circumstances, and to insure adequate funds are available to meet urgent economic development opportunities that may arise during the course of a given year.

Miller reminded the Board that the County's fund balance, compared to its operating expenditures, is also an important benchmark used by State officials and bond rating agencies. The Board and County staff anticipated an increase in fund balance because of its conservative approach to spending, and those funds have been targeted for purposes previously discussed by the Board of Commissioners. A portion of those funds will be needed to meet the County's final financial obligations to the former Catawba County Mental Health Services as it transitioned to become a stand-alone agency, Mental Health Partners, as a result of the State's Mental Health Reform initiative.

"The County's fund balance had a net increase of \$5,632,274 in fiscal year 2007-2008, compared to \$4,440,803 in the previous year because of the County's conservative budgeting and spending practices" Miller said. "Sales tax revenues grew by 4.6%, ambulance revenues increased by \$812,688 and investment income increased by \$418,792, accounting for approximately half of the increase in fund balance. The County's net unreserved fund balance, as a percentage of general fund expenditures, was 17.1% on June 30, 2008, which is equal to approximately two months of operating expenses, but still slightly behind the average of 19.2% for the other twenty-four urban counties in North Carolina."

"There were no questioned costs as a result of the audit of the County's Federal and State programs," Hodges concluded. "The Catawba County Board of Commissioners, Rodney Miller and his staff should be commended for their excellent work."