



CATAWBA COUNTY

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December 6, 2010

ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2009-2010 SHOWS COUNTY MAINTAINED ITS FINANCIAL POSITION BY CUTTING SPENDING TO RESPOND TO REDUCED REVENUES

Catawba County's Comprehensive Annual Financial Report for the fiscal year that ended on June 30, 2010 shows the County continued to deliver services in a prudent fiscal manner in spite of a severe economic recession, which led to \$1.5 million in cuts by the County government in May 2010. These cuts were necessitated by a continued decline in major revenue sources and from State action negatively impacting the County.

Bryan Starnes, partner of Martin Starnes & Associates, CPAs, P.A., told the Catawba County Board of Commissioners at its December 6 meeting that "the County maintained its financial position" as a result of its conservative approach to budgeting and spending and proactive responses to decreasing revenues. Starnes 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 throughout the year.

"There were no questioned costs as a result of the audit of the County's Federal and State programs," Starnes concluded. "The Catawba County Board of Commissioners, management and staff should be commended for their proactive response to adverse economic conditions."

Rodney Miller, Catawba County's Finance Director, discussed several aspects of the County's financial report. Overall, County spending went down as County departments collectively spent less than budgeted for fiscal year 2009-2010, due to conservative spending and a reduction of 2% in operating costs for all departments and school systems in the spring of 2010, equaling approximately \$1.5 million, to make up for a loss in revenues.

"Sales tax revenues continued to decline at year-end (down 1.8%) as the local effects of the economy continued to translate into reduced retail sales in the county," Miller said. "Fortunately, the decline was less than the previous year, when it was down by 10.9%, giving hope that the bottom has been reached in the economic decline. Catawba County is a retail hub in the State, ranking 10th in retail sales compared to 17th in population in North Carolina, which should bode well for the county when economic recovery begins."

Property tax revenues decreased 0.21% as the County's tax base experienced limited growth in real property but with a significant reduction in public utility values. Property tax collection rates increased slightly by 0.03%, partially offsetting a decline of 0.47% for the previous year. The County's tax rate of 53.5 cents per \$100 valuation for the 2009-2010 fiscal year was the eighth lowest among North Carolina counties with a population of 100,000 or more.

Overall revenues decreased by approximately \$5.9 million. The State of North Carolina assumed 100% responsibility for Medicaid costs during the fiscal year, which reduced state and federal revenues

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previously used to pay those costs. However, the State took a half cent in local sales tax revenue from county governments such as Catawba County to pay for the Medicaid swap.

On the expenditure side, when purely local funding is considered, funding for Catawba County's three public school systems and Catawba Valley Community College received the highest percentage of County funding at 53%. Catawba County appropriated \$38,606,716 for operating expenditures for the three school systems and CVCC, a 3.4% decline from the previous year.

Public Health and Social Services expenditures represented 32% of total expenditures, including State and Federal funds. Expenditures for Public Health and Social Services decreased by 4.9% from fiscal year 2008-2009, primarily due to the State's assuming Medicaid costs from the Department of Social Services.

Catawba County has traditionally had a goal to keep two months' worth of operating expenses in its reserve, in part because of cash flow issues since property tax bills are sent to taxpayers in July but revenues are slow to come in as 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 the year. The audit report showed that the county maintained this two months reserve for fiscal year 2009-10 in spite of the economic conditions the County faced.

Miller also reported on the steps taken by the County during the last two fiscal years to respond to the impact of the declining revenues. Cuts totaling \$1 million were made two years ago and approximately \$7 million in cuts were made in the last fiscal year, which ended on June 30, 2010.

39.1 Full Time Equivalent (FTEs) were impacted by being eliminated, through a reduction in hours or by being frozen for a period of time in the last fiscal year. Training and travel has been reduced, some capital projects were delayed or cancelled, and fund balance was used to help fund some projects. School projects tied to a reduction in State funding were eliminated, with the loss of Average Daily Membership (ADM) funds from the State.

A 2% across the board reduction by County departments in March 2009 resulted in \$1 million in cuts. Schools and outside agencies were held harmless.

Further budget reductions between July and November 2009, in response to actions by the State of North Carolina, cut approximately \$5.5 million more. Finally, County departments, schools and outside agencies made a 2% across the board reduction in May 2010, approximately \$1.5 million in further cuts, as revenue collections did not improve by year-end.

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